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Cattleman Bill Farr says the government is no farmer.

Nation's Business



Amway joins others trying to hold down health costs.



Small trucks can be a big deal for small companies.

37

42

BUSINESS ISSUES

Cover Story

The sky is not falling on American agriculture, despite the claims of a minority of farmers who look more to federal programs than to the marketplace. Competition, say the experts, would strengthen the entire food chain.

18

The Dipping Dollar

Recent swings in the dollar's value may herald the long-awaited slide that will help make U.S. goods more competitive abroad.

Health Costs on the Table

Swelling employe health care costs have given birth to an industry dedicated to reducing doctors' and hospitals' charges by a variety of means, from preventive medicine to auditing bills.

The Budget Compromise

A deficit-trimming package put together by the Reagan administration and Senate Republicans goes to Congress.

A Year of Progress

U.S. Chamber of Commerce campaigns have made major contributions to putting pro-growth policies in place: Here is an annual report.

SPECIAL REPORT

Development in the Year 2000

A poll of relocation experts shows where growth will be, and who will be getting the most help in the next 15 years.

SMALL BUSINESS

Patent Fee Roadblocks

Maintenance fees for patents can weigh heavily on small businesses. Also: interpreting a financial statement, collecting local sales taxes.

TECHNOLOGY

PC Partners Part

The two fathers of the personal computer see a different future for their offspring, and as a result, one peels away from Apple.

Software: A Hard Look

A computerized accounting system can be a boon to your business, but you need to be careful in choosing both hardware and software.

TRADE

The Interest in Interest

In an effort to contribute to trimming the federal budget deficit, the Export-Import Bank introduces a new loan program. Also: concern over protectionism, import surcharges.

MANAGING YOUR BUSINESS

Trust in Outsiders

Small companies with boards composed primarily of family members may have trouble with the thought of adding outsiders, but independent directors can do many things for the company-including helping to avert disaster.



Senate Budget Committee members will be looking at the "Easter Compromise."



At firms like Diamond Fiber, bosses get more done by not being bossy.

57

63

The Light Idea in Trucks

Downsizing has benefits for companies that can use small trucks—such as better safety records because of less powerful engines, gas savings and interiors that are more suited to the cargo being carried.

Strategies for Success

David Burr and David Gilvar were framed—but they aren't complaining.

Lane Nemeth made her toys into serious business, although she had a few problems on the way.

Larry Kirian has a passion for ice cream. And he's turning his passion into a Florida trend.

Computers helped Barden Prisant turn Old Masters into a new business.

A New Breed of Bosses

Successful managers are looking for ways to involve employes in all kinds of decisions, including hiring, firing, setting production quotas and solving crises. And as a result, productivity in these companies has gone up.

Jim Thorneburg's company was threatened by runaway success. He ordered a change-and what a change it was.

LESSONS OF LEADERSHIP

Rennie to the Rescue

36

Jack Rennie has built his defense contracting business by hiring good people and recognizing his own limits. And he has gained a reputation as a mediator.

DEPARTMENTS

James J. Kilpatrick

We must be cautious about putting the heat on Japan.

Letters

On entrepreneurship, unemployment benefits, franchising.

Washington Letter

An inside report on events and trends in the nation's capital.

For Your Tax File

Simplification is not the only tax issue before Congress.

To Your Health

Some of the best medicine is furry and barks or purrs.

Take a Stand

What is your opinion on these issues of concern to business?

Personal Finance

Taking advantage of shifts in the dollar's value can be tricky.

Classified Ads

75

74

Congressional Alert

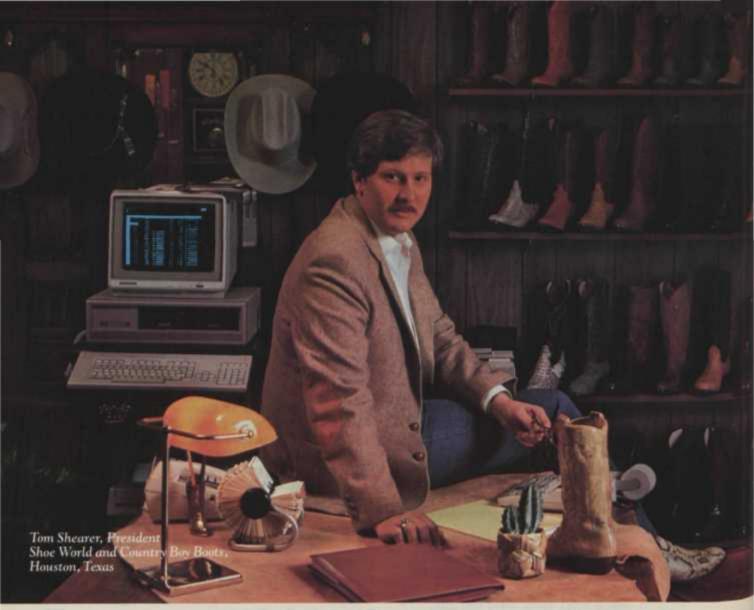
How to inform decision makers of your views on legislation.

Editorials

80

COVER PHOTO: W.L. TATUM BY T. INCHAEL KEZA

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TI announces the Tom Shearer Professional Computing System.

Tom Shearer was 8 when he started selling shoes in his family's Houston shoe store. At 26, he's president of a chain of nearly 50 stores – the largest independent boot retailer in America.

How does he manage such growth? TI had specific solutions for his unique needs.

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"I'm turning over 250,000 pairs of shoes a year," says Shearer. "To make a profit, I've got to know what I'm doing every moment."

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2775-42

the other PCs," he says. "The graphics are better, and I need the expandability.

"I enjoy it personally, too," he says. After his long workday, he uses his TI system to check his investments and the latest news, and to write his own advertising.



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Let Us Talk Before We Leap

O N A THURSDAY afternoon late in March, the U.S. Senate did an unusual thing: It gave vent to honest emotion. On Capitol Hill, honest emotion is not unknown—it is like rain in Phoenix in May—but this display was something special. The Senate was genuinely angry. Before the afternoon ended, that anger exploded in an astonishing vote of 92-0 for a resolution denouncing Japan for its trade barriers and demanding that the President take "all appropriate and feasible action" to obtain the elimination of the objectionable practices.

Resolutions, to be sure, are toothless tigers; they

have none of the bite of statutory law. Nevertheless, the Senate's resolution of March 28 is a portent of legislation yet to come. Congress has played bluffing games before with the Japanese, but unless I am sorely mistaken, this time the Hill means business.

Most controversial stories have at least two sides, and this story is no exception. This is the case

for the prosecution:

In the 40 years since World War II ended, Japan has become an economic power second only to the United States. By some estimates, Japan's gross national product soon will exceed that of the Soviet Union. Relieved of the need to spend any significant sums on national defense, Japan has been free to devote its resources to domestic development.

Japan is a giant—but it is a tightfisted giant. It loves to export its own goods, but it erects almost insuperable barriers to imports. Some of these barriers are overt: Japan's tariff on imported beef amounts to 35 cents a pound, compared with our 2 cents a pound; Japan's tariff on oranges ranges from 8½ to 17 cents a pound, com-

pared with our 1 cent a pound.

The most serious obstacles are more subtle. Japan's bureaucracy is even more infuriating than our own. An American exporter can expect nothing but delay, frustration, duplicative paper work, costly "inspections" and mysterious and varying interpretations of the thousands of regulations by which imports ostensibly are permitted but actually are discouraged.

These practices are not new. Japan's unwillingness to follow a Golden Rule as to automobiles led to the domestic content bill that passed the House back in

November, 1983.

That bill was a bad bill; it would have reversed the feeble currents of free trade and swept us back toward protectionism, yet it roared to passage on a vote of 219-199. Then the bill went to the Senate, where Oregon's Bob Packwood bottled it up in committee. There the bill died.

It provides a measure of change in sentiment to note that Packwood, flushed with anger, was among the 19 senators who spoke in favor of the March resolution.

"I have reached the limits of my patience," he said.

"As chairman of the Finance Committee, I am going to do everything I can to retaliate in kind to any of their products that come to this country."

Very well. To these charges the defense responds in this fashion:

The 1984 trade imbalance of \$37 billion cannot be blamed entirely upon Japan's barriers to international trade. At least half of that sum is a consequence of the strong American dollar. The dollar would not be as strong against the yen if it were not for the inability of the U.S. government to get its own fiscal house in order. Japan has in fact been reducing both its official and its subtle obstacles to U.S. imports. The problem is that many American products are not of the high quality that Japanese consumers have grown to expect. American manufacturers have failed to market their products aggressively. How many American companies have sales directors who speak Japanese? Even with the

best of products, it takes time to change purchasing

The Yanks, in brief, should practice patience and

try harder.

The Reagan administration is a free trade administration. President Reagan demonstrated that conviction in his refusal to renew quotas on Japanese cars. The Japanese gave him no quid for that quo, but the President remains committed, to quote the Republican platform of 1984, "to a free and open international trading system." Reagan's patience, unlike the Senate's, is not quite yet exhausted.

THE HILL'S exploding animosity is understandable. The Japanese have indeed behaved selfishly, even arrogantly; their bland insouciance is insufferable. Yet we ought to remember Congreve's maxim that those who act in haste will repent at leisure. Debate on the Senate's March resolution consumed 63 minutes. Before we enact retaliatory laws, let us talk a little longer.



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—but it is a
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and specifications on the 14 models of weco Diesels and TurboDiesels, visit your local weco dealer or call 800-447-4700.

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Why They Succeed

"An Obsession With Opportunity"
[March] should be required reading for
every aspiring entrepreneur.

Jeffry Timmons points out several valuable ingredients in a recipe for success. The most important is his observation that successful people consciously do more with less.

Too often I have heard would-be business owners lament having a great idea for a business but not the means or the know-how to market it. Most successful business owners have either an instinctive sense of marketing or work hard at developing marketing skills. I would add those skills, along with hard work and commitment, as essential to achieving success.

BRUCE E. DAVID
Twinsburg, Ohio

The burden of age

"Alzheimer's and Your Employes" [April] will help build awareness of the devastating effect of this illness on family care-givers. But Alzheimer's is only the tip of the iceberg. The number of individuals 85 and above is increasing faster than any other group in the population. Although many of them are healthy, there is no denying that increasing age brings a greater risk of infirmity.

Increasing numbers of dependent elderly will pose a challenge to business, since many middle-aged people will find themselves caught between their responsibility for their parents and their own career plans.

The National Support Center for Families of the Aging is exploring ways of presenting its seminar, "Help for Families of the Aging," in connection with other employe assistance programs. We invite inquiries about our materials and programs.

JANE HEALD
Executive Director
National Support Center for
Families of the Aging
P.O. Box 245
Swarthmore, Pa. 19081

The cost of cuts

Re: "A Misconceived Program That Deserves To Die" [Editorials, March], in which you support ending the Federal Supplemental Compensation program of extended unemployment benefits.

What qualifies you to judge the un-

employed? I have been among them many times and know what it is like. In this community, which was supported mainly by shoe factories, there is only one shoe factory now. It is hanging on for dear life, because of the tremendous amount of imports. What happened to the people who worked in those factories that had to close?

The middle-income people are always the hardest working and the hardest hit whenever there is a federal budget crisis. If you want to put restrictions on the system, why don't you begin with the government employes who retire at age 55? Who will support them, if there is no work for the unemployed?

> SANDY FREDERICK Chippewa Falls, Wis.

Editor's note: Congress has passed, and President Reagan has signed, legislation phasing out the Federal Supplemental Compensation program. Those in the program before April 6 will receive the full amount for which they have been eligible; those who would have qualified after that date will now be ineligible for benefits.

I am sorry to see business people supporting reductions in cost-of-living increases in Social Security [Washington Letter, March].

Most individuals receiving Social Security benefits today dutifully paid into the system during their productive years, I believe. They probably did not even complain that their Social Security contributions were taxed before being taken from their salaries.

Now the benefits to which they are entitled are being eroded. If it is necessary to reduce the entitlement benefits of the poor and the elderly, why is it not also necessary to reduce the abundant retirement benefits of our senators and representatives?

Byron F. Boudreaux Memphis

Not so huggable

"Franchisors: Have You Hugged Your Franchisee Today?" [February] includes this statement in its second paragraph: "Franchisees—like any growing children—want to be on their own, but they do not want to be abandoned by their franchisors."

If your article was intended to show franchising in a good light, it failed on this point. Franchisees are not children

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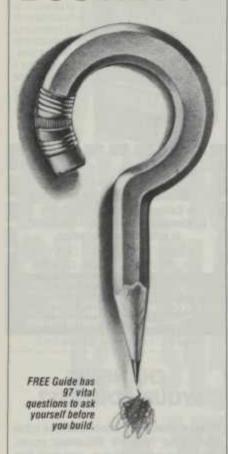
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LETTERS

or childish in their commitments. They are investors, along with the franchisor, in a business. A fast-food restaurant can require an investment of a half million dollars-nothing to be taken ROCHANA HELMAN lightly. Arlington, Va.

Straighten up and fly right

"Almost Picture-Perfect Investing" [Personal Finance, March] was very interesting, particularly the photo of George Lowry holding Audubon's Birds of America.

Lowry must be one of those rare individuals (as rare as the book) who can read upside down. Is not the book he is holding, with finger in place to mark the spot where he stopped reading while he looked up at the camera, upside down? RAYMOND OSKEY Gladys, Va.

Editor's note: He was displaying, not reading, the book.

Sorry, wrong numbers

We in the State of Alabama were proud to participate as a sponsor of the Japan satellite videoconference, and we were most pleased to see Alabama mentioned in your followup article ["Exports to Japan: An Open or Shut Case,"

The Alabama Development Office telephone number and telex number listed are, unfortunately, out of date. The correct numbers are:

Telephone: (205) 263-0048 Telex: 592471 AL DVLP OFC FRED F. DENTON, JR. Industrial Development Director Alabama Development Office Montgomery, Ala.

Unlearning the past

Like James J. Kilpatrick [February], find South Africa's policy of apartheid morally indefensible. But consideration should also be given to the very human predicament of white South Africans.

Except for apartheid, the Afrikaaner people are highly moral and splendidly independent. Separated from the trends in European thinking during the early days of their settlement, the Afrikaaners followed an interpretation of the Old Testament in building their economy and their way of life on the teaching that the African peoples were to be the servants of the superior whites.

I believe that this teaching is being eroded, but old teachings die slowly, even in the face of reality.

> THELMA L. GUNIA Los Angeles

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WASHINGTON LETTER

- ► CONGRESSIONAL RUSH to overturn auto use rules imposed by Internal Revenue Service represents major victory for U.S. Chamber of Commerce. Business federation spearheaded drive that produced irresistible grass-roots pressure on lawmakers. Smaller businesses in particular had demanded relief from complex recordkeeping requirements imposed to support tax deductions for business use of vehicles, computers, other property with both business and personal applications. Prime source of business complaints was the IRS demand for detailed, trip-by-trip logs for company vehicles used by employes or individually owned vehicles used for business purposes.
- ▶ ALTHOUGH HOUSE AND SENATE have passed bills to repeal auto record rules, differences in the measures must be resolved in a conference committee before both houses can pass identical bill for President Reagan's signature. Final Challenge for business is winning approval of Senate approach, defeating House measure that contains tax increase provision.
- ERAGAN ADMINISTRATION appeals to business people for support in efforts to win passage of youth minimum wage in time for this year's school vacation season. Bill would allow employers to pay youths 16-19 at rate of \$2.50 an hour from May 1 to September 30. White House asks business people to press their representatives in Congress to support plan as three-year experiment. President sees special minimum as way for young people to enter work force, gain experience in jobs that would not exist if employer had to pay regular minimum of \$3.35 an hour.
- ► YOUTH WAGE ISSUE could prove tricky for William E. Brock in new job as Secretary of Labor. His assignment includes building bridges to AFL-CIO.

- which has viewed many administration policies as antilabor. But, as Reagan's chief aide on labor issues, Brock will be key member of team pressing for youth wage.
- NEW CONGRESSIONAL BATTLE over curbing illegal immigration is getting under way. Sen. Alan Simpson (R-Wyo.) is developing strategy for another go-around on volatile issue. He was co-sponsor. along with Rep. Romano Mazzoli (D-Ky.). of measure that failed to win passage after sparking extensive controversy and debate last year. Business opposition centered on provision that would penalize employers who failed to comply with proposal's requirements for complex recordkeeping and verification procedures. Another sticking point was House-passed provision that would have established new procedures for discrimination claims by legal aliens. creating federal enforcement office to handle their complaints.
- ▶ SENATE LEADERSHIP HAS TAKEN initiative on budget issue, but there are signs that any action on tax reform will begin in Democratic-controlled House. Chairman Dan Rostenkowski of the Ways and Means Committee has been adopting take-charge attitude on reform issue. White House revisions of Treasury Department plan that sparked widespread opposition when made public late last year are due shortly. President Reagan will then have to determine whether he wants to move aggressively to win tax reform this year, or delay -and risk having politically popular issue move into hands of House Democratic leadership.
- ▶ TAX ISSUES that continue to generate business concern include proposals for taxation of employer-paid benefits. That would be achieved by classifying as taxable income to the worker the value of company contributions to

WASHINGTON LETTER

health, pension and other benefit programs. Employers' tax bills would rise because amount of company contributions taxable to worker would become part of wage base for payment of Social Security, unemployment compensation taxes. Companies fear that over long range, workers would drop out of benefits programs, rather than pay taxes on employer-paid contributions, and turn to tax-supported programs for medical, retirement and other needs.

- ► SENATE IS SHARPLY DIVIDED over civil rights legislation with potential for heavy impact on business. Dispute centers on Supreme Court's Grove City (Pa.) College decision that only a program involved in a discrimination case. not entire school, can be denied federal funds. Reagan administration supports bill to reverse specific decision, but congressional liberals are using issue as wedge for major expansion of civil rights coverage where federal funds are a factor. Democraticcontrolled House is likely to approve such a bill. Key battleground will be Senate, where 48 members have co-sponsored bill far broader than administration's.
- ▶ BUSINESS WORRIES that extension of civil rights laws as proposed in liberal version of Grove City bill would drastically expand federal controls over hiring, other activities. U.S. Chamber of Commerce tells House subcommittee that liberal approach would extend specialized civil rights laws "to a wide spectrum of employers, especially small businesses, who were never covered or intended to be covered." Chamber says businesses that could be affected include stores that accept food stamps or fill Medicare prescriptions, apartment owners that take rental vouchers, ranches that draw water from federal irrigation projects, farms under various loan programs. Chamber asks whether such employers might be

subject to requirements for employment of handicapped and elderly, providing facilities for disabled.

- DOLLAR AMOUNT OF DEDUCTIBLES in health care programs has been increased by many companies, Labor Department study shows. Change is part of overall trend in which employers are becoming far more aggressive in curbing health care costs. In 1984, 21 percent of employes with major medical coverage had to pay deductible of at least \$150. Only 12 percent of workers had to pay that much in 1983, and 7 percent in 1982. Cost-sharing--in which worker still bears part of charges after deductible -- is also growing. Nearly 30 percent of plans had this feature in 1984, compared with less than 20 percent in previous year. (See story, page 26.)
- ▶ WHAT'S BEHIND DECISION of Roman Catholic bishops to delay final action on their highly controversial economic policy statement? Document is expected to figure prominently in debate over whether government or private sector has best answers to problems of poverty, unemployment. Bishops' first draft late last year produced strong complaints, from within and without their church, that they were leaning too heavily on disproved government programs. Invitation for comment produced thousands of letters, many from Catholic business people, challenging the bishops' reliance on government. Final action was scheduled for the bishops' annual meeting this November in Washington, but that step has now been deferred to next year.
- ▶ THEFT OF COMPUTER-STORED INFORMATION would be a federal crime, under bills pending in Congress. American Bar Association estimates that half of the nation's businesses have been affected by computer crime, at a cost that could exceed \$700 million for 1984 alone.

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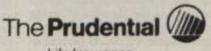
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Those "Stifling" Patent Fees

Citing small business as the "acknowledged leader in innovation, applied research and invention," House Small Business Committee Chairman Parren Mitchell (D-Md.) has proposed exempting small businesses, independent inventors and nonprofit organizations from payment of automatic patent fee increases and maintenance fees. They now get a 50 percent reduction in fees.

The current patent fee system indexes issuance fees and filing fees to the Consumer Price Index every

three years. Maintenance fees of \$200, \$400 and \$800 must be paid for each patent held 3½, 7½ and 11½ years, respectively, into the 17-year life of a patent.

Mitchell says that unless these fees are curbed, "small business innovation and economic growth—already imperlled by global economic conditions—will be stifled."

He is also looking to overhaul regulations that dictate how large or small firms must be, either in number of employes or in gross annual receipts, to do business with the federal government under Small Business Administration auspices and through special small business set-aside programs.

"The impact of size standards on the level of small business participation in the programs of the SBA and ultimately in the multibillion dollar federal procurement system mandates adoption of realistic and equitable standards that don't unnecessarily impede small business participation and thwart congressional intent," according to Mitchell.

He has introduced a bill that would base size standards on market share rather than on gross receipts or number of employes. The bill would also require using size standards to regulate the share of federal business going to small firms.

Statements at a Glance

If you are a small business owner who blanches at the thought of trying to interpret your financial statement, you are not alone. Of the 85 percent of small firms that use outside accountants for financial statement preparation, says one accounting firm, 95 per-



Will costly fees discourage inventors like those who submitted these 19th century models to the Patent Office?

cent do not entirely understand their reports because they are too complex and full of accounting jargon. In fact, 60 percent seldom look at their financial statements.

To minimize the trauma of reading a financial report, Aurora, Ill.-headquartered Comprehensive Accounting Corporation, which specializes in small business accounting, has developed computerized one-page statements in pictorial form. Business owners can see and understand their financial situation at a glance.

Each Comprehensive statement includes a two-year revenue graph comparing the current year's monthly sales with the previous year's, a 12-month revenue, expense and profit margin comparison and an expense pie chart that details fiscal-year-to-date outlays in five major categories.

"Without thorough comprehension of a company's financial situation, planning is impossible and the likelihood of failure is greatly increased," notes Comprehensive Chairman Leo Lauzen.

The Cost of Compliance

Small retailers incur significantly higher compliance tax costs—as much as three times more—from collecting and remitting state and local sales taxes than do their large peers, says a recent study by the accounting firm of Peat, Marwick, Mitchell & Company for the Small Business Administration.

According to the report, the three tax features most responsible for the cost differential are exemption of items from tax, exemption of purchasers from tax and frequency of payment and filing. The more exemptions and the more often payment and filing are required, the higher the cost of compliance to all retailers, especially the smaller ones.

The study suggests that decreasing the number of item and user exemptions and reducing the frequency of reporting and payment for small retailers would dramatically diminish the compliance differential.

Worth Noting

 The Bureau of Labor Statistics says that certain

key categories of service—now dominated by small business—will provide about 25 percent of all new jobs between now and 1995. They include business services, miscellaneous professional services like legal, engineering, architecture and accounting, and various types of medical services.

 Starting August 5, small firms generating between 100 and 1,000 kilograms (between 220 and 2,200 pounds) of hazardous waste per month will have to complete a manifest form when the wastes are shipped elsewhere for treatment or disposal. In addition, they must make sure that the waste is transported either to a hazardous waste management facility sanctioned under the Resource Conservation and Recovery Act or to a state-approved municipal or industrial waste management center.

 The Illinois Development Finance Authority is offering the state's small industrial companies the chance to qualify for below-market rate loans under its pooled tax-exempt bond program. Loans of up to \$1 million are available to purchase land, buildings, machinery or pollution control devices for expansion, renovation or pollution control projects.

Connecticut's umbrella bond program is similar in structure, providing low-cost industrial loans. The state also has a set-aside program that directs 15 percent of state government purchases and contracts to small business. Of this amount, 25 percent is targeted for minority- and women-owned firms. In addition, Connecticut's sales contract centers put smaller manufacturers in touch with purchasing executives of larger companies.

-Mary-Margaret Wantuck



In Japan, where high-tech electronics are a way of life, they pay \$714.93 for an American-made radar detector

(You can get the same one for considerably less)

Even we were a little surprised. All we did was build the best radar detector we knew how. We shipped our first ESCORT in 1978, and since then we've shipped over 600,000. Along the way the ESCORT has earned quite a reputation—among its owners, and also in several automotive magazines.

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Over the past five years. Car and Driver magazine has performed four radar detector comparison tests. Escort has been rated number one in each. Their most recent test concluded "The Escort radar detector is clearly the leader in the field in value, customer service, and performance..." We think that's quite an endorsement.

Our Responsibility

One of the reasons for our reputation is our attention to detail. If we don't feel we can do something very well, we simply won't do it. That's why we sell Escorts direct from the factory to you. Not only can we assure the quality of the ESCORT, but we can also make sure that the salesperson you speak to is knowledgeable. And if an ESCORT ever needs service, it will be done quickly. And it will be done right.

50 States Only

And that's the reason we don't presently sell ESCORTs outside of the United States. Even in the countries that use identical radar (Japan and Australia, to name two) we know that we couldn't provide the kind of customer service that ESCORT owners expect. So we pass up the additional sales rather than risk our reputation.

"Dear Sir..."

So we'll admit we were surprised when a letter from one of our customers included an advertisement from a Japanese automotive magazine. The ad pictured an ESCORT, and the price was 158,000 yen. Our customer was kind enough to convert that to U.S. dollars. Using that day's rate of exchange, an Americanmade ESCORT was worth \$714,93 in Japan Further translation revealed the phrase "The real thing is here!" and warned against imitations.



Econ 101

Needless to say, we were flattered. We knew that ESCORT had an impressive reputation, but we never expected to see it "bootlegged" into other countries and sold at such a premium. But the laws of supply and demand are not so easy to ignore. When there is a strong need for a product, there is an equally strong incentive for an enterprising capitalist to fill that need. And apparently, that's just what happened.

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Of course, it's easy for you to get an ESCORT—just call us toll-free or write us at the address below. The price is the same as it's been for the last five years. \$245 Quite a deal for what the Japanese must think is the best radar detector in the world.

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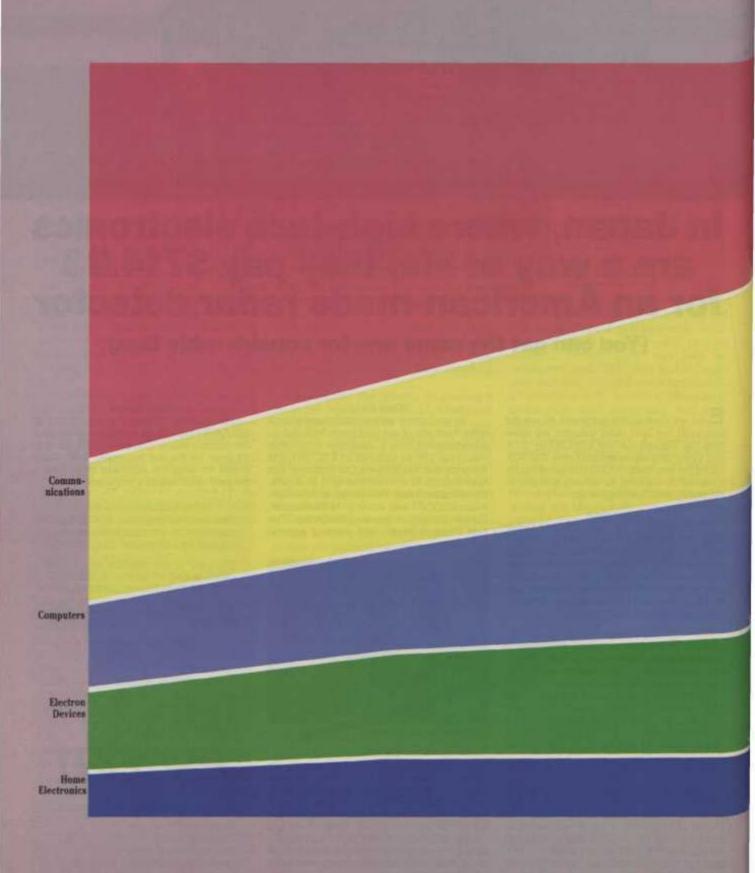
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How Fast Will the Dollar Drop?

Are violent swings in the dollar's price on foreign exchange markets a harbinger of a coming overnight collapse in its value? Or will the dollar's long-anticipated decline on foreign exchange markets be a gradual one?

Until its recent slide began, the dollar had risen since a low point in 1980 as much as 70 percent against the currencies of the nation's major trading partners.

David D. Hale, Kemper Financial Services' chief economist, says the dollar's collapse is not in the cards, but he expects a 15 percent drop this year in its value against the currencies of the nation's major trading partners. As of last month, the dollar had dropped 7 percent against those currencies since its February peak.

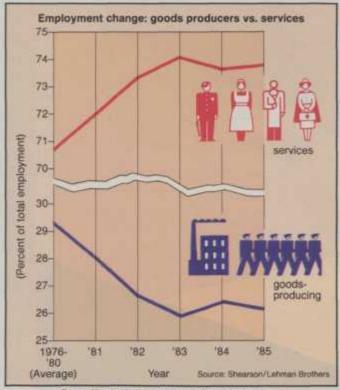
In March the dollar plunged 18 percent against the pound; the dollar's fall against the deutsche mark, Europe's strongest currency, was nearly half as great.

Hale attributes the drop to what he calls a "growth rotation." He says that economic growth rates in Western Europe, Japan and the United States are beginning to converge. Thus, a growing number of investment opportunities abroad will soak up some of the foreign capital that is now being invested in this country.

In Japan, the toughest foreign competitor for many domestic companies, the dollar has fallen about 6 percent against the yen this year. That should help domestic companies fend off their Asian competitors and may help push down the trade deficit with Japan, which reached \$37 billion last year.

In the longer term, though, Hale says the dollar must fall far enough to enable the United States to rack up trade surpluses large enough to service the growing debt owed to foreigners. (Much of the foreign capital coming into the country is helping to finance huge federal budget deficits.)

Hale predicts that the dollar, in relation to the value of the nation's major trading partners' currencies, will fall 50 to 60 percent by 1990. This means that



One effect of the strong dollar has been to accelerate the economy's shift toward services.

low-cost domestic manufacturers will enjoy a sizable price advantage in international commerce once the dollar reaches a new equilibrium with those currencies.

Meanwhile, the goods-producing sector of the economy is feeling a pinch caused, partially, by the powerful dollar. Since 1981, say Shearson/Lehman Brothers economists Allen Sinai and William Cohen, employment and salaries in goods-producing industries have fared poorly in comparison with the services sector.

Employment in mining, manufacturing and construction has dropped from 28 percent to 26.2 percent of total employment in four years: There are 300,000 fewer jobs in those industries than there were in 1981, But in service industries there are more than 5 million jobs that did not exist four years ago.

Wages and salaries are also under pressure. Earned income in goods-producing industries was 34.1 percent of total wage and salary income in 1981. By last January, that figure had dropped to 31.5 percent.

"Business strategy must take account of the trend in planning for the future," Sinai and Cohen conclude. They say that manufacturers' diversification into services is rising, and that industrial America is no longer the barometer of the nation's economic health it once was.

A "No" at Bonn ?

At the Bonn economic summit this month, Treasury officials say, President Reagan is expected to turn a deaf ear to a French proposal to link agreement on a new round of trade negotiations to an overhaul of the current system of floating exchange rates.

Wall Street currency traders do not think France's suggestion is an appropriate way to solve the problem of the strong dollar. Albert Soria, Swiss Bank Corporation's New York foreign exchange manager, says that recent coordinated intervention by several European central banks in international currency markets has made

currency speculation riskier.

Former White House economic adviser Paul McCracken says he sees no alternative to the current system of floating exchange rates. The University of Michigan professor says that solutions are to be found elsewhere.

Slow Returns

The 70 million taxpayers who will get federal income tax refunds this year are waiting longer than usual. The Internal Revenue Service blames computer glitches for slowing down the processing of returns to three fifths of last year's pace. As a result, more than half of the \$60 billion in refunds this year will get pumped into the economy after May 1, more than six weeks late.

For retailers and others who anticipate the jump in sales of big ticket consumer goods that usually occurs after those refunds go in the mail—individuals' refunds will average more than \$800 this year—the delay may create unexpected problems. Among them: higher inventory carrying costs, delayed sales, mistimed advertising.

-Peter A. Holmes



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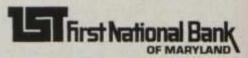
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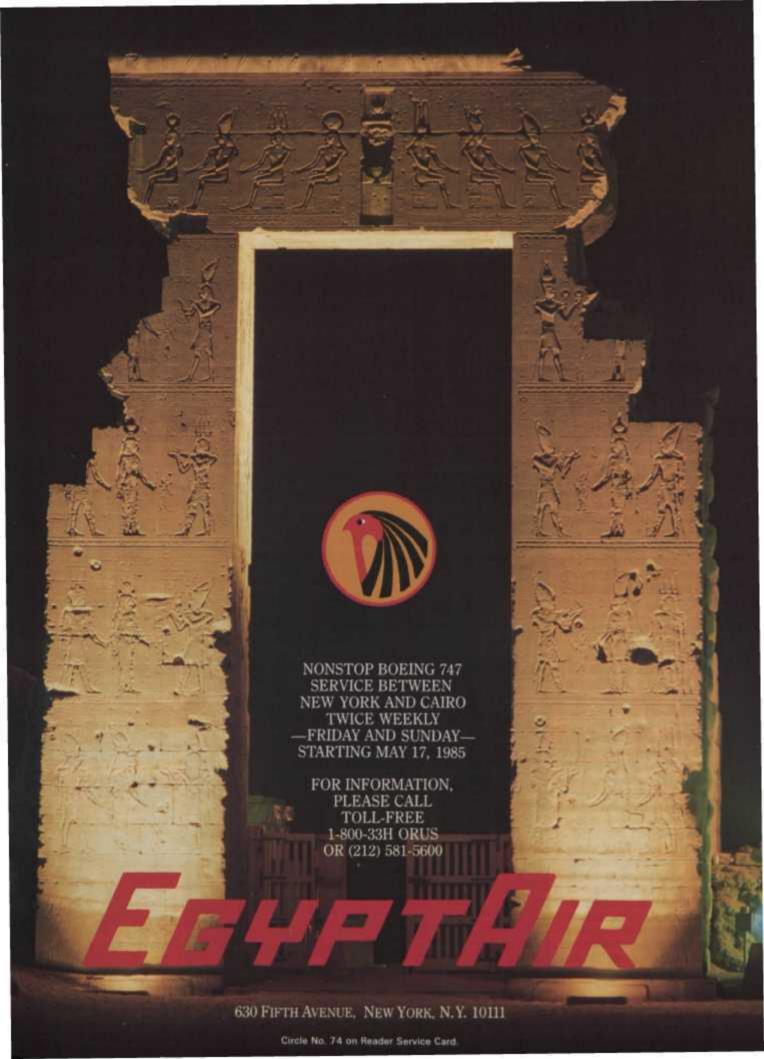


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Farm Problems: The Answer

Without government help, many farmers prosper; with it, others flounder. Pressure is growing for changing agricultural policy.

By Henry Eason

POULTRYMAN W.L. Tatum thinks nothing can keep the American farmer from prospering—except perhaps his own government's agricultural

and fiscal policies.

Federal budget deficits, by driving up the dollar's foreign exchange rate, have cost the president of Tatum Farms lucrative markets in Latin America. High federal price supports for the grain he feeds his chickens have knifed into his profit margin. The federal government's policy of granting fewer export subsidies than his European

competitors get from their governments has cost him

sales abroad.

And yet, even without government welfare, the Dawsonville, Ga., chicken breeder built a modest hatchery into a \$20 million-a-year business with customers in 50 countries. Tatum, like two thirds of the country's food producers, gets no direct federal aid. That is the way it should be for all American farmers, he says.

As what is likely to be a historic debate over the government's role in the nation's largest economic sector heats up this year, numerous segments of agriculture are challenging the policies that keep wheat, feed grain, sugar, dairy and cotton producers in a public hothouse—at great expense to taxpayers and others in the food chain.

Critics of the existing price support system say U.S. agriculture is losing world markets because of too much government interference and because it is geared more toward protecting the incomes of a minority of inefficient farmers than toward production. A more market-oriented approach, they say, would harness agri-

culture's strength as a global competitor and help shrink the nation's trade deficit. President Reagan is leading the fight for deregulation.

Two thirds of all food produced in the United States is not federally subsidized. The meat, vegetable and fruit industries operate without the government programs that prop up the prices of feed grains, dairy and cotton. Soybean farmers receive minimal government backing.

This year Washington's role in agriculture will receive its most intensive review since New Deal legislation marked the beginning of a major government presence on the farm.

The basic statute authorizing federal farm programs comes up for renewal every four years. In the past, it usually was extended without fundamental change. This year, however, President Reagan has called for a massive overhaul that would eventually shift agriculture to a market-oriented base and sharply curtail federal outlays.

Recent congressional consideration of emergency legislation to give cash-

strapped farmers additional credit to plant their spring crops provided a preview of a dramatic debate that will cut across party lines and political philosophy.

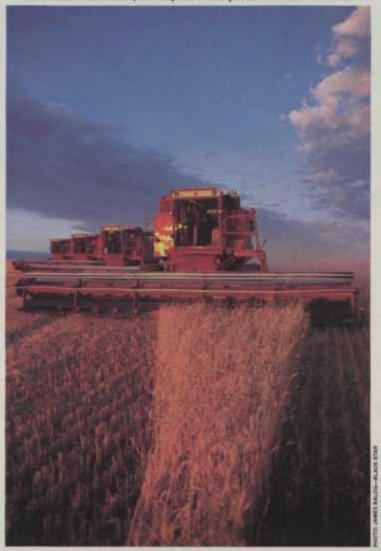
There had been widespread media reports of a critical financial situation throughout American agriculture, with individual farmers facing bankruptcy and loss of their land. Many members of Congress echoed that appraisal in calling for enactment of the emergency legislation.

But the President, who later vetoed the legislation, declared in one of his weekly radio talks: "It is important to note that about two thirds of today's farmers have no debt problems, and only a minority of the remainder are in severe financial distress."

And Sen. Jesse Helms (R-N.C.), chairman of the Senate Agriculture Committee, declared that the producers hurting the most "are primarily in the corn belt. The trouble in many states is even localized within those states."

Most farmers suffering severe financial distress were "those who followed their bankers' advice to

The need for higher productivity has made farming more automated than ever, but capital costs pressure small farmers.



grow and expand during the inflationary bubble of the late 1970s," Helms continued. "This growth and expansion by producers who were not as well established as others ... has now come home to haunt many areas of rural America."

Other members of Congress argued that the federal government had encouraged such expansion by holding out hope for export markets that never developed. The expansion thus led to rapid increases in government outlays under existing support programs. Some of the programs pay farmers to keep acreage out of production. Some in the agriculture community see those programs as counterproductive.

"We need to stop these programs that pay farmers not to produce," says Tatum. "We need to knock down fences and produce and export." Instead of spending billions of federal dollars providing income transfers to a minority of farmers, the government should stimulate exports, eventually giving farmers

in these programs a profit on the open market, Tatum argues.

Tatum is a farmer of the kind the Reagan administration says can restore American agriculture to greatness. Looking always beyond the Blue Ridge Mountains, Tatum has traveled from Katmandu to Tokyo to sell his Cornish breeding stock. His export prowess has been commended by the Commerce Department.

A practitioner of high tech farming, Tatum has adapted creative innovations in selective breeding and automated production to his business. He also sells management services to his global clients.

He is even banging on doors in Africa, where the smart money says there is no market. Tatum has heard that before.

"They're selling chickens for \$7 a pound in Nigeria," he says. "There are 100 million people there. We could feed them chickens for a dollar a pound."

It has not been easy for Tatum to

another \$1.7 million in sales to other Latin American countries.

PARADOXICALLY, the farmers who are in the worst shape financially are the very ones who were supposed to have benefited from federal agriculture programs. Like Tatum's, their export sales have been stunted by the high dollar. Consequently, they have suffered indirectly from the same support

continue operating in the black. Along

with the drought, the Payment-in-Kind

program, which paid grain farmers not

to produce, sent prices soaring and

drove up Tatum Farms' feed costs one

third. The billions of dollars all agricul-

ture programs cost the taxpayer con-

tribute to budget deficits that help keep

interest rates up and increase the value

of the dollar abroad. That cost Tatum

his \$1.3 million Venezuelan market and

Minnesota grain farmer Alex Larson filed for bankruptcy this winter. Declining sales and land values dragged Larson down, Lenders told him shortly before planting season that he did not have enough assets to float the operating loan he sought for the coming year.

programs that have kept their commod-

ity prices higher than world prices.

"I said I was worth \$450,000," says. Larson. "They said I was \$100,000 in the hole. They took my land value and equipment value and cut it in half. They said buildings I had just spent \$100,000 to erect weren't worth anything."

Larson says government support programs do little more than give the grain farmer "a break-even price." The farmer, he says, must have a higher price, and the government must intervene to get it for him. He asserts that the United States has a large enough share of world exports to dictate a price to foreign customers: "There is no reason why we shouldn't decide what the price should be."

But the world market, economists argue, is already responding to highpriced American commodities. Competing food-producing nations are boosting production and slashing prices. American farmers are steadily losing market share.

Out on the High Plains, rancher Marshall Frasier runs 2,500 head of cattle near Last Chance, Colo., and raises wheat on 3,500 acres in western Kansas. He has lost a million dollars over the past four years, but he is still fiercely opposed to government help. He is selling off assets to meet debts, as needed, and tightening his cinch until the market revives and production costs return to a manageable level.

"I don't think the government can bail out agriculture," Frasier says. "We've just got to get more competi-

W.L. Tatum's Dawsonville, Ga., poultry operation produces breeders for 50 nations. Creative salesmanship and mass production have kept him profitable.





tive. Those who know what to do and can control costs will stay in agriculture. Hard as it might sound, 15 to 20 percent more farmers are going out of business in the next 18 months."

Like Tatum, Frasier has traveled globally and understands the potential for exports. He also appreciates the impact the budget deficit has had on interest rates and the dollar. Two thirds of the million dollars he lost went for interest rates on operating loans.

"We've had too many years of people thinking that government money is free money," he says. "Now we're paying for it. These farmers produce for the government instead of for the market."

The costly, unwieldy government farm support program has been a half century in the making. Back in the 1930s, when dust storms, drought and hard times turned the heartland brown, the Roosevelt administration thrust the government into farming. It was to have been a quick-fix program.

New Deal Agriculture Secretary Henry Wallace implemented the farmer bailout scheme. He said then: "The present program for readjusting production acreage to market requirement is admittedly but a temporary method of dealing with an emergency. It could not be relied upon as a permanent means of keeping farm production in line with market requirements."

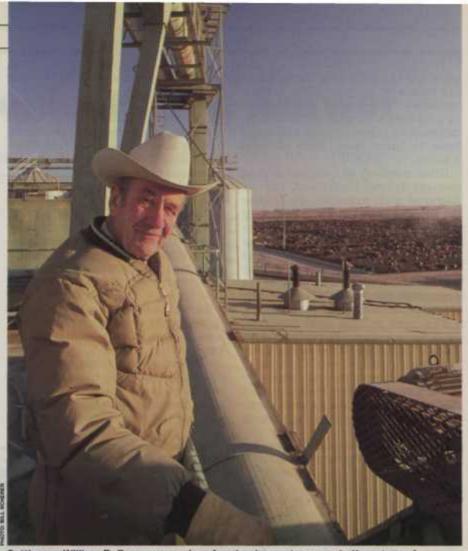
Hundreds of billions of tax dollars later, descendants of the Dust Bowl farmers are in trouble again. As many as 200,000 could go broke this year. They are clamoring for one more extension of that perennially temporary program. They will be using all of their considerable political muscle to get what they want. Congress rushed to oblige them this year with credit aid, and only a presidential veto blocked the assistance.

RONICALLY, an infusion of still more federal dollars could turn agriculture—America's largest economic sector—into another declining industry.

American agriculture today employs 24 million and has global markets. It is much more than farming. It is chemical companies producing fertilizers, pesticides and herbicides. It is equipment manufacturers. It is trucking companies, shipping lines, textile companies, banks, food processors, supermarkets and countless firms supplying production and consumer needs for the whole food and fiber chain.

It is, in short, a highly complex, integrated industry.

Agriculture is also myth-ridden, and some of its myths, if distilled from political rhetoric into political action, could end up idling far more workers



Cattleman William D. Farr says modern farming has outgrown a half-century of market-contorting government regulations. He is opposed to federal aid.

than the comparatively few farmers who now face ruin.

The most pervasive and harmful myth is that farmers cannot survive without federal welfare. Only one third of the nation's food and fiber producers benefit from the array of government support programs. The rest operate in the marketplace.

It is also a myth that the entire farm economy will collapse if heavily debtridden farmers are not bailed out. According to the Agriculture Department's Economic Research Service, 83.4 percent of all farms are financially sound.

About 10 percent have debt-to-asset ratios between 40 and 70 percent. That ratio is high, but it is also a normal and profitable range for many kinds of operations, like cattle feedlots, poultry operations, nurseries and sod farms. Such operations often have relatively small amounts tied up in physical assets. Their ownership is more widely spread. Only 6.6 percent of the country's farms face extreme financial problems or are technically insolvent.

Yet another myth is that the family farmer is an endangered species. Over 73 percent have no financial problems. About 17 percent—including those who ably manage higher debt-to-asset ratios—face financial challenges. Only 9.4 percent are in real trouble, according to the ERS survey.

As Congress now turns its attention to proposals to reform the farm economy, many—led by President Reagan—believe it is more appropriate to ask how federal programs have harmed American agriculture, rather than

The damage has already been extensive. Artificially high support prices in recent years, pegged above world prices, have cost agriculture vital foreign sales that could have further off-set trade imbalances in manufacturing goods. Exports are not only the last hope for real expansion in agriculture, they are vital to the United States' balance of payments ledger.

Also, massive government spending on agriculture, as Tatum and Frasier have seen, has boosted interest rates and the dollar, further dampening foreign markets.

Agriculture Secretary John Block is campaigning to phase out decades of farm programs that insulate one third of America's farmers from the market-



place and distort other aspects of agriculture. But most rural lawmakers greeted the administration's bill as dead on arrival in Congress. In 1981, Block's first free market proposals collapsed, and he was forced to accept compromise legislation little changed from the status quo.

Already this year, Senate budget writers have rejected the administration's approach in favor of funding agSo do other segments of the agriculture industry—the wholesalers, retailers, food servers, manufacturers, shippers and other businesses that support the food and fiber system. They have a big stake in the outcome of the farm policy debate in Congress.

If, as some farm groups wish, the production system is shrunk to the status of a public utility that services primarily the domestic market—at high are swinging behind the Reagan administration's production-oriented approach.

The Fertilizer Institute, for example, is pressing for a farm program that emphasizes growth. When PIK cut production, fertilizer companies went into a tailspin.

"Our major industry effort," says institute President Gary Myers, "will be in working for solid, long-range farm

programs which can provide relief from up-again, down-again swings in our farm economy—and resultant industry instability."

The Milk Industry Foundation, representing the middlemen between dairy farmers and consumers, is fighting for lower milk price supports. A consumers lobby, Public Voice for Food and Health Policy, is joining the foundation's battle. The American Meat Institute is calling for "a fundamental review of agriculture policy" that will reduce federal outlays, stimulate exports and lessen farmers' drain on credit markets.

According to the Agriculture Council of America, the PIK program

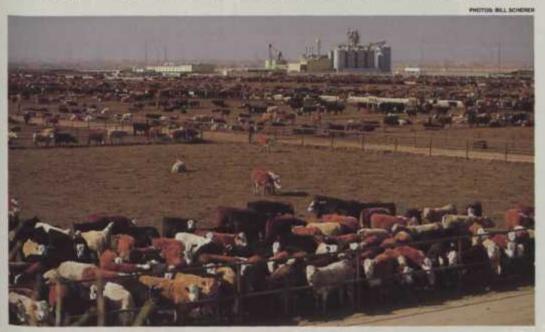
threw 50,000 farm machinery employes out of work and caused hundreds of dealers to go out of business. "Is there any justification for asking American taxpayers to subsidize the incomes of farmers?" a report by the educational foundation asks. "In the depressed 1930s, the answer was clearer. The American people wanted to guarantee that an abundant, varied and healthful food and fiber supply would be available at reasonable prices."

But since then, it says, "agriculture has changed enormously." Today, "farmers are so productive that, even without full production on our farms and ranches, the U.S. population is able to consume only 61 percent of all the commodities sold. The criterion for abundant, varied supply is being met."

The council is supported by all segments of the food chain.

ments of the food chain.

And yet federal support for agriculture has never been more costly than during the past few years. Numerous funding programs, in addition to basic price supports, nurture the farmer. Indeed, the government contribution to agriculture in 1983 was \$12 billion greater than net farm income. If current funding policies continue, taxpayers will spend another \$52 billion over the next four years supporting the ap-





Farr Farms' cattle-feeding operation in Greeley, Colo., readies 25,000 steers for slaughtering annually, using high technology like automated feed mixing.

riculture programs near current levels.

Tatum and Frasier are representatives of the silent majority in agricul-

tives of the silent majority in agriculture: the meat producers and fruit and vegetable growers, as well as those prudent, efficient wheat, corn, soybean, cotton and rice producers who till their fields while other farmers march and get headlines. Most farmers want the government out of agriculture. support prices—companies dependent on massive food sales for the world market will collapse.

Long silent, these nonfarm segments of the agriculture sector are beginning to raise their voices. Associations representing bakers, food brokers, cracker manufacturers, candy companies, grocers, food processors, equipment producers, chemical companies and ports proximately 800,000 farmers who get

income support.

In addition, farmers benefit from government-subsidized interest rates. The government spends another \$1 billion annually on farm research programs. Special tax provisions in 1982 totaled \$3.6 billion. Agriculture is the most heavily subsidized economic sector relative to its contribution to the gross national product, according to the Congressional Budget Office.

Farming also benefits from priceboosting import tariffs, marketing orders, resource conservation programs, customs revenues and food assistance

sent abroad.

Even at this elevated level of government support, segments of farming across rural America are suffering from sluggish sales. Main Streets are

really feeling the effects.

In downtown Greeley, Colo., business people have seen the fortunes of food producers rise and fall. They are keenly sensitive to farm trends. They have seen a once-prosperous sugar beet industry decline. Herds of cattle have been pouring into the town's feedlots for more than a century. Fewer and fewer people are required to bring in the crops. Merchants' rural clientele has dwindled.

But Greeley, like many other progressive towns, has kept the tumbleweeds out. Led by its chamber of commerce, it has attracted such big employers as Eastman Kodak, Hewlett-

Packard and State Farm Insurance, and it has become an important educational, energy development and services center for its region. Companies find that former farm workers have sturdy work values.

The latest ill wind over the plains has not shaken the town's faith in the marketplace.

Amos Finch, general manager of the farmers' supply co-op Agland, says trouble on the range has had a "domino effect" on Greeley businesses. But, he adds, "a majority of farmers and ranchers want the government out of agriculture."

Greeley accountant Ken Whitney sees a lot of people's books. "Big is becoming better," he says. "If it's not big, it's not going to make it. If we really believe in free enterprise, then we'll have to let the market work."

"We've got to have aggressive, positive attitudes," insists William R. Farr, president of Farr Farms, a feedlot operation that readies some 25,000 cattle



Agriculture Secretary John Block says farming should respond to demand.

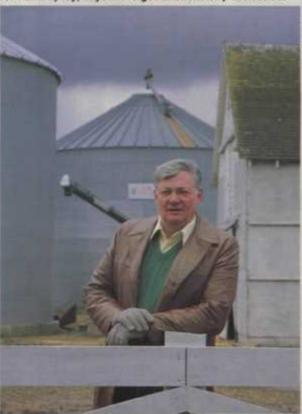
for packing houses yearly. For four generations, the Farrs have handled sheep and cattle around Greeley.

William D. Farr, Farr's father, is a rural banker as well as a cattleman. "Politicians never face up to what they are doing," he says. "The problem has never been severe enough. Now that it is, we should start over and build a healthy agriculture system. Out of it, you're going to have a restructuring of rural America. Our country is maturing, and we can't maintain an artificial system forever."

In Blue Earth County, Minn., where grain farmer Alex Larson filed for bankruptcy, most farmers are tied to government programs. An economic storm, fierce as a Minnesota blizzard, is blowing around the town of Amboy.

lett- blowing around the town of Amboy. in

Minnesota grain farmer Alex Larson, who has filed for bankruptcy, says more government help is needed.



The Amboy business people are struggling to adjust.

Amboy Chamber of Commerce President Jerry Graf says farm prices must be raised, even though "that wouldn't be popular in the metropolitan areas." Graf, a furniture store owner, says, "What it boils down to is: When farmers do well, we in town do well." Amboy has already lost a grain elevator, a grain-handling system and a hardware store. Graf's debt load is heavy. Small towns like Amboy face extinction as the farm population shrinks.

In the 1970s, says Publisher Kathie Davis of Country Times, a newspaper that serves the Amboy area, "our farmers were rich. They were buying more land, employing more people, buying new equipment, new cars." Then hailstorms beat down crops, followed by crop price declines caused by national overproduction, the strong dollar and bumper crop yields worldwide.

"Everyone agrees the government should intervene to increase prices,"

Davis says.

George Meyers, president of Amboy's Security National Bank, says agriculture "has to go to the market system, but it has to be gradual. You have to continue to subsidize the family farm." Still, he concedes, "farmers always want more money. They have a real credibility problem. Rural bankers, too."

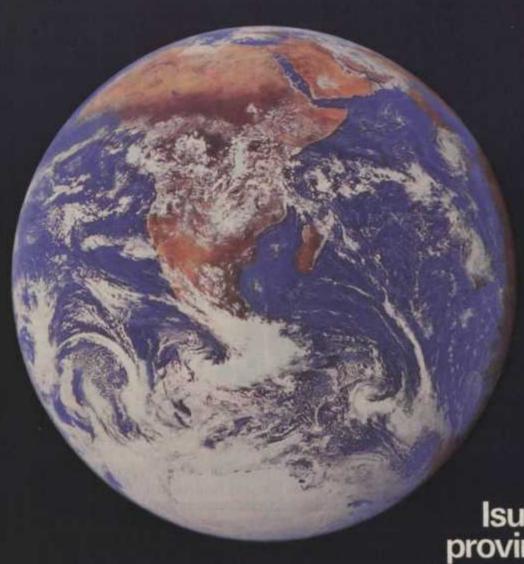
Most observers, in Washington and in the hinterland, agree that the agricultural sector must move to-

ward the market.

Rep. Timothy Penny (D-Minn.), who represents Amboy in the House, is trying to steer a middle course. "If there is a market for everything we can grow," he says, "we ought to produce it. If not, we must be sensitive to the marketplace and cut back. Otherwise, surpluses can quickly accumulate, forcing down market prices."

Literally dozens of farm proposals will be made this year by members of Congress, commodity groups and associations. As yet, few have crystallized. Those drafted are seen at this stage as basically talking points in what is predicted to be a long, drawn-out battle that may not be resolved until next year.

If all these proposals were lined up on a continuum based on market orientation, the Reagan administration's proposal would move farmers fastest toward a free market. Of the major plans, one proposed by Sen-Helms is viewed as a pragmatic,



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slower approach to phasing in the free market. The American Farm Bureau Federation's plan prescribes an even slower immersion in free enterprise for the major government-supported commodities. At the far end of the continuum are proposals of the National Farm-Union and the American Agriculture Movement, which recommend stricter controls on supply, accompanied by government prices that would guarantee farmers a return based on production rates. There is some support for this, primarily from Democrats, in the House.

Insiders predict that legislation somewhere between the Helms and the Farm Bureau bills will likely become the new law. If so, there will be a gradual reduction of price supports on government-protected commodities and more spending on export promotion. That would mean a continued drain on the Treasury but less insulation of commodities from world prices.

Rep. Charles Stenholm (D-Tex.), an influential member of the House Agriculture Committee, says Reagan's vision of free market agriculture is "dream world." A market philosophy depending heavily on exports, he says, cannot work as long as competing nations continue to underwrite food exports at prices lower than the cost of production in the United States.

Farm Bureau President Robert Delano says that "federal farm programs must allow farmers to move closer to the market, while at the same time providing needed protection against financial disaster. It is obvious that time will be required for farmers and ranchers to work their way back to solid ground."

Helms, introducing his bill, said, "When I say market-oriented, I don't mean a free market with no government involvement in agriculture, despite the frightful caricature drawn by some proponents of the failed status quo.'

Rather, he said, "my bill will establish U.S. price supports at marketbased levels, leading to expanded U.S. exports and greater profitability for farmers. Coupled with strong export provisions that provide substantial aid to U.S. farm exports, market-clearing price supports will cause more production adjustments to take place abroad than here at home. This means that foreign producers who expanded production as a result of high U.S. price supports will now yield world markets back to U.S. farmers."

GRICULTURE Secretary Block says flatly: "The current agriculture programs are simply not working. More of the same is not the answer to agriculture's difficulties." Charged by the President with focusing on the big picture, which includes the huge budget deficit, Block says, "Keeping inflation low and reducing the federal deficit could very well have a greater impact on the well-being of farmers over the

next several years than farm programs."

"Let's be honest with farmers, agribusinesses and consumers," he told the Senate Agriculture Committee. "We cannot afford to keep mortgaging agriculture's future for a temporary quick fix. It is time to face the realities, set the proper course and make the transition as smoothly as possible. The pressures from ineffective acreage programs, rapidly building inventories, declining farm prices and the loss of world markets would force changes in the current legislation after only a few years." He continued:

"Excessive budget outlays that would not improve the farmers' longterm financial condition would likely give way to mandatory production controls. By then, the United States would have also given away any growth in

export markets."

Forty percent of America's cropland is planted for foreign markets. That is a crucial fact in the whole debate. Farm exports peaked in 1981 at \$43.3 billion and slid to \$37 billion last year. They will dip to \$35.5 billion this year, according to the Agriculture Department. Each \$1 billion in exports produces an estimated 25,000 nonfarm jobs.

Meantime, Peruvian researchers are achieving record yields in rice, corn, peanuts and soybeans. China is moving strongly into the export market with soybeans and cotton. Thailand is challenging the United States in rice exports. Latin American honey is pouring into the United States-at the same time that the American government is holding more than 200 million pounds of surplus, domestically produced honey.

Soon plant hormone research will enable Canadians, Russians and Argentinians to grow wheat in extremely cold climates. Other nations are striving for greater food self-sufficiency. Competitors are racing American scientists toward momentous breakthroughs in food science.

Says Sen. William Armstrong (R-Colo.): "The federal government has often intervened in exactly the worst ways. First, the government creates soaring inflation and allows interest rates under the Carter administration to rise above 20 percent. Then the government provides subsidies to pay farmers to cut production. And then the government subsidizes exports to get rid of the surpluses, causing farm prices to rise above world markets."

What Armstrong calls "this bizarre combination of federal benefits" has seeped down to the roots of American agriculture. Only sweeping reforms can revive to health the nation's most productive industry.

Rep. Timothy Penny (D-Minn.) represents many hard-pressed farmers, like these who rallied recently in Le Center, Minn. Penny says family farms must be saved.



Slimming Health Costs

Companies turn to outside administrators to check fees and charges from doctors and hospitals.

BUSINESS' CONCERN over the rising costs of employe health care is nurturing a whole new industry aimed at controlling those costs. Some components of that industry:

· Benefits consultants and accounting firms that analyze companies' health plans and recommend more cost-

effective designs.

· Computer and software manufacturers that sell employers or their claims administrators systems to automate claims management.

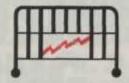
· Firms with names like Health Risk Management, Biotrak and American Corporate Health Assistance that survey employe health risks, audit hospital

and doctor bills, and intervene before, during and after treatment to make sure procedures are appropriate and needed.

Karla Rosen, employe benefits manager for Amway Corporation, the Ada, Mich., direct-sales company, says that its "group health costs have not risen at anything like the na-tional rate," since Amway began using a minicomputer to handle health claims for its 4,000 emploves.

The system, developed by MDS Quantel, of Hayward, Calif., with software from Resource Information Management Systems of Oakbrook, Ill., is used by Rosen's staff to examine each claim, compare the charges with allowed coverage, calculate the amount the plan should pay, issue checks and write letters to employes explaining the benefits. Since Amway's health plan is self-insured, "we no longer pay an insurance company their margin," says Rosen. MDS and RIMS have

sold their automated claims systems to such companies as Travelers Insurance Company, Allied Van Lines, American Steel Foundries and some



Blue Cross-Blue Shield organizations, (They also developed a system that keeps all the statistics for the National Football League.) But their biggest source of customers has been independent administrators who handle an employer's insurance and claims.

These "third-party claims administrators" are growing rapidly in number as more businesses, large and small, turn to self-insurance to manage health costs. The computer systems allow the administrators to process claims in their own offices.

"Plan financing is moving out of the hands of insurance companies," reports Hewitt Associates, a national benefits consulting firm. Among 1,185 companies recently surveyed, the percentage with fully insured plans shrank from 32 in 1982 to less than 18 last year, while those with self-funded plans grew to 48 percent and those with self-funding up to a certain dollar limit rose to 34 per-

As third-party administrators have grown in number, so have firms offering specialized cost-containment services. Many of these are local opera-

tions. Healthmark, Inc., in Philadelphia, is an example of an occupational health company that serves employers with small to medium-sized work forces. A for-profit subsidiary of Philadelphia's nonprofit Methodist Hospital, Healthmark provides pre-employment physicals and surveys of workplace health hazards for clients with as few as 35 employes.

Its physicals, at a base price of \$20, are tailored to the company and to the job description. A worker handling toxic chemicals might require pulmonary function tests, whereas a clerk typist at the same company probably would

Healthmark bills its clients for services delivered. It charges \$25 for an electrocardiogram administered in its offices, compared with \$70 at a teaching hospital.

The growing realization that preventive medicine is an effective way to control medical and hospitalization costs has brought an increase in early detection services.

Corporate Health Examiners, a branch of Corporate American Health Assistance in New

Because hospitalization is the costliest kind of health care, management experts seek ways to reduce patients' lengths of stay.





Karla Rosen, employe benefits manager for Amway Corporation, supervises an automated claims-handling system that uses proprietary hardware and software.

York, offers executive health audits and clinical services to businesses in Manhattan. It provides annual physical examinations with emphasis on early detection of major diseases. It also does cardiac stress testing and exercise, fitness and nutrition counseling.

Corporate Health Examiners says it is its clients' "surrogate medical department." It offers daily health care and services like travel inoculations and visual acuity testing.

RECENTLY the company expanded its client list from 400 to more than 1,500 corporations by acquiring Life Extension Institute from Control Data Corporation. The institute offers medical services to corporations based in Chicago, Philadelphia and Lyndhurst, N.J., as well as New York.

The company will set up group programs at an employer's workplace if the client wishes, to make blood pressure checks available to all employes, for example. It uses cooperating clinics in other cities to provide services to a firm's personnel away from New York.

Geisinger Medical Center in Danville, Pa., one of the largest group medical practices east of the Mississippi, does 600 executive physicals a year, at a price of \$300. Each executive fills out a 10-page questionnaire to supplement the physicians' findings.

The center says a study of its largest client companies showed that more than one third of the executives do not get enough exercise and that the same percentage are overweight.

Although employe fitness programs can have long-range consequences for employer health costs, more immediate gains come from claims management, and this is the cost control area that has seen the sharpest growth recently.

Claims management firms offer services in four areas;

- Analysis of all claims to see how benefits are being used. (Are there patterns of overuse involving some doctors and some hospitals? What medical procedures are being overused?)
 - · Audit of hospital bills for accuracy.
- Direct intervention with doctors and hospitals to evaluate treatment before, during and after admission to the hospital.
- Intervention with employes to change their use of health care.

Many large consulting and accounting firms maintain benefits departments, which usually confine themselves to overall data analysis. One of the largest, Coopers & Lybrand, has 400 employes in its benefits consulting division, in nine regional offices with headquarters in Dallas.

Using computers to analyze a company's claims data, the firm recommends ways a client can improve internal administration of claims, find a more effective third-party administrator or negotiate with providers to get preferred rates. But Coopers & Lybrand does not process or manage individual claims.

Harry D. Spring, a Coopers & Lybrand consultant, says a survey of 225 employers with a total of 371,000 employes showed that most had little basic information about their own health plans, such as the number of hospital admissions and the average length of a

patient's hospital stay.

Third-party administrators often take responsibility for auditing hospital bills themselves. Robert C. Gerald, executive vice president of Group Services Administrators, Inc., Jersey City, says, "We fight with health care providers all the time." He tells of settling a \$40,000 bill from a New York City hospital for \$12,000. He also says that "it's routine to get a doctor's bill down from \$6,000 to, say, \$1,400."

Gerald, all of whose 42 clients have partially self-funded plans with outside "stop-loss" insurance, to cover catastrophic outlays, says he settled one podiatrist's bill of \$3,000 for bunion re-

moval for \$300.

Another third-party administrator, Robert B. Swanke, president of Swanke, Inc., in Minneapolis, who serves 260 companies in 48 benefits plans, says he sends his toughest cases to professional review firms like Cost Care in Huntington Beach, Calif., or

Intracorp in Wayne, Pa.

"They do catastrophic case management as well as retrospective utilization review and they bill us by the case handled," Swanke says. "They can cut 10 to 15 percent off your costs. The only trouble with retrospective review is, you're challenging doctors and hospitals about services they've already performed, and you've got to catch them in an error before they will adjust a bill."

The American Medical Association

Bypassing Heart Surgery

A doctor recently told a Chicago business executive that his dizzy spells, shortness of breath and occasional fainting were the result of erratic heart action. He recommended that the man have a pacemaker implanted in his chest to stimulate his heartbeat.

Since the executive's employer participates in a national secondopinion program operated by Parkside Medical Service Corporation, of Park Ridge, Ill., the executive decided to get a second opinion, an option for such surgery under the plan.

The second physician told the ex-

ecutive to forget the pacemaker and buy himself some larger shirts.

The man, the second doctor had found, had put on weight, and his tight shirt collars were constricting blood vessels in his neck enough to cause the dizziness and other symptoms.

The second opinion saved the man and his employer \$5,000 in surgical costs.

"Even more important," says a Parkside spokesman, "it saved the man the pain and inconvenience of undergoing a major surgical procedure that wasn't necessary." says physicians "should be willing to make appropriate arrangements" about fees "in case of need." The American Hospital Association says that bill audits after a patient has left the hospital should be only to verify accuracy of charges. It says hospitals prefer that negotiations about prices be conducted before services are provided.

Daniel H. Davis, Intracorp senior vice president, says that "preadmission and concurrent review is the single most rapidly developing part of health

cost containment today."

Davis says Intracorp's review service covers more than 500,000 employes. Its clients include the city of Los Angeles, the Southland Corporation and the Phil-

adelphia Phillies.

The company has 125 offices, each staffed by registered nurses trained in medical review. It calls on doctors in active practice in each community to make judgments on cases and to negotiate with care providers.

TYPICALLY, all employes in a health plan are given forms for their doctor to fill out when hospitalization is contemplated. In an emergency case, the doctor calls a toll-free number to give Intracorp his diagnosis and treatment plan.

If Intracorp does not approve the hospitalization, the patient will have to pay a larger portion of the cost himself. If admission is approved, the doctor is told how many days' stay the plan will

certify for that illness.

On the second day, Intracorp telephones the hospital to see whether discharge has been scheduled. If it has not, it tells the hospital just how many

days the insurance will cover.

The real savings occur in reduction in length of stay," says Davis. "They amount to 20 percent of hospitalization costs, and that's a lot; with just a one-day reduction you are saving about \$500 per admission." He says the savings from denied admission—cases where hospitalization is not approved—are much less, only 4.1 percent.

Intracorp lets clients choose whether to be hilled at \$1.30 per employe per month or pay fees for service—\$25 for preadmission screening, \$30 for continued stay review and hourly rates for negotiations and bill review. Davis says clients realize savings as high as 10

times what they pay.

Dr. Gray Mcllroy is president of one of the oldest health costs specialist firms, Health Risk Management in Minneapolis. HRM began in 1977 doing health promotion and risk assessment. Three years ago it went into claims analysis, and in 1983 it took on individual case management.

"We analyze claims the way medicine is practiced, case by case," says McIlroy, who was trained as a pathologist. HRM calls its case management service ReviewPlus. "We manage every case with nurses and doctors by telephone," says McIlroy. "We are the only service to actually negotiate fees before the service is performed, and we review the bill not just for accuracy but for medical appropriateness."

ReviewPlus had covered 600,000 persons by the first of this year and expected to pass 1 million by the end of

the first quarter.

The basic fee for the service is \$18 per person per year, and McIlroy says savings to clients average seven times the cost, ranging from 10 percent of medical expenses at some companies to

23 percent at others.

Another fast-growing national company is the Industrial Health and Hygiene Group, Inc., of Elk River, Minn., which markets its cost containment services as Biotrak. The company projects sales this year above \$5 million, nearly quadruple its sales in 1984. Like other such firms, it has its own voluminous automated data file, a national network of affiliated physicians and a sophisticated computer system to track medical services for its clients.

Maynard L. Oss, a biochemist and president of the company, says it emphasizes prospective rather than concurrent review of each case, using its own doctors to judge whether admission to a hospital is warranted, whenever the computer flags a case for professional consideration.

Similar confrontation, but in a narrower field, is the stock in trade of Preferred Health Care, Ltd., of Katonah, N.Y. This cost containment company is partly owned by Four Winds Hospital, a nationally known psychiatric care institution in Westchester County, N.Y., whose 20 psychiatrists furnish the professional staff for Preferred.

The company provides expert concurrent review of inpatient psychiatric care, a very expensive branch of medicine because the average hospital stay for psychiatric patients is 45 days.

Robert K. Lifton, chairman of Preferred's executive committee, says that for its clients, which include such companies as Ciba-Geigy Corporation, Equitable Life Assurance Society and Perkin-Elmer Corporation, hospital stays have been reduced 25 percent.

Preferred expects its coverage to extend to 2 million persons by the end of this year. It charges only \$2 per employe per year because psychiatric cases form only a small proportion of

all medical claims.

For companies just beginning to think about health care cost control, a first step could be attending a workshop conducted by Health Research Institute of Walnut Creek, Calif.

The institute gives two-day workshops all over the country at the rate of six a month. Different workshops take up different aspects of health care. Some focus on cost containment for business people; others are designed for plan trustees and third-party administrators. The price is \$395, and so far representatives of more than 1,000 companies have attended.



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BRINGING outside members on to a small company's board of directors is a lot like giving up smoking, says George Y. Clement. "Once you have done it, you will be telling everybody else to do it, too."

It was with some trepidation five years ago that he considered forming an outside board for Clement Communications, a company that creates posters and other publications to help businesses communicate with their employes. Founded by his grandfather, the firm grosses more than \$10 million a year. Clement wondered if, under the scrutiny of a board, he could measure up as a president. Would he lose control?

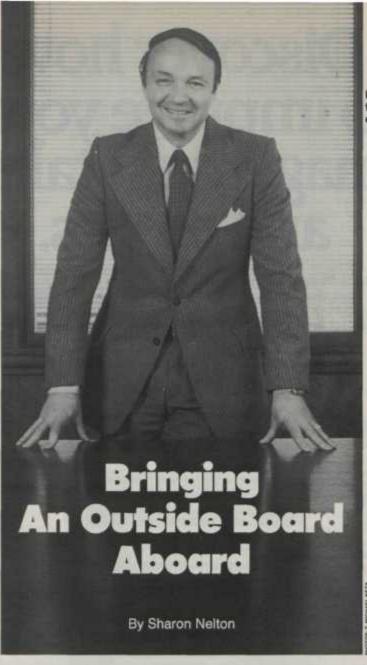
Despite his fears, he plunged ahead, creating a board consisting of himself and four outsiders. Within a year, it had prodded him to implement a system of bad-debt management that saved the Concordville, Pa., company \$200,000 in 24 months. The board has also helped the firm improve its financial reporting and, says Clement, kept him from making acquisitions that did not make sense.

Marilyn Andrulis, president and chief executive

officer of Andrulis Research Corporation, has operated with an outside board since she and husband Peter Andrulis founded their high technology research and development company in Bethesda, Md., in 1971. She finds that an outside board is vital in assuring that a business is properly managed and financially sound. With the company now at nearly \$3 million in annual revenues, Andrulis is looking to her board to facilitate the more rapid growth she expects in the near future.

Such stories sit well with John M. Nash. As president of the National Association of Corporate Directors in Washington, Nash spends a lot of time encouraging companies in the \$1 million to \$300 million annual sales range to get independent directors on their boards. By independent, he means outsiders who have "no relationship with the company in any way, shape or

It is common for a small company to



have a board that consists only of family members. Or the board may be made up of the president, executive vice president, chief financial officer and marketing vice president. While legally it may be a board, it is in effect, says Nash, still a management team.

Léon A. Danco, founder of the Center for Family Business in Cleveland, describes a working board of outside directors as a "legally constituted body charged with ensuring the growth and continuity of the business."

Such a board, Danco says, "can provide the owner-manager with a vehicle for doing the strategic planning he must do. It can help him set and define objectives, determine the risks involved and estimate the rewards that are possible."

In seminars that NACD conducts around the country, Nash tells small business owners that a carefully selected outside board can:

· Bring credibility to a company. If

Independent directors give firms credibility and valuable expertise, says John M. Nash.

you are looking for a sizable line of credit, for example, the bank will want to know who sits on your board.

- Help you make major management decisions and avoid mistakes that you might make by yourself.
- Provide you with management expertise that you might not otherwise be able to afford. "A good board of directors is the cheapest form of consultancy," says Nash. (George Clement estimates that if he had to pay a management consulting firm for the expertise he gets from his board, it would cost him 10 to 20 times as much.)

 Bring you an outside viewpoint and help you see things that neither you nor your managers could see so readily from the inside.

A board can also act in a crisis. If a CEO dies, Nash says, the board can run a company until a replacement is found. Or it can act as an arbiter, helping a CEO in a family business solve succession problems or resolve family conflicts.

Like George Clement, many small business owners have reservations about installing outsiders on their boards. They do not want to reveal company secrets or have anyone tell them what to do. Nash reminds them that they are the majority stockholders—they can fire their boards, not vice versa.

"If you want good advice, you are going to select good people," says Clement. As his outside directors, he chose the firm's general counsel of 20 years' standing, for his long-range view of the company; the chief executive of a similar (but not competing) firm, for his understanding of the publishing business; a financial expert, for his ability to focus the board's attention on the financial aspects of the company; and another chief executive, for his business astuteness.

The Andrulis Research Corporation board consists of two insiders—Marilyn and Peter Andrulis, who both have doc-



High tech research company president Marilyn Andrulis uses outside directors to assure that her firm is financially sound.

pany might want a seven-person board with four outsiders.

Although a small company cannot pay its directors the handsome fees that large corporations can, it can still attract competent directors. Some might want to be on your board even if you cannot pay, Nash says, because they know they will learn a lot or they are interested in your business. Or being asked to be on a board may simply

appeal to a person's ego.

In a study of 21,000 small and medium-sized U.S. companies, Growth Resources, a Peabody, Mass., compensation consulting company for smaller businesses, found that 84 percent of the responding firms had boards. Two thirds of the responding companies provided some form of compensation to their directors. Of those, nearly two thirds paid meeting fees, about one third paid annual retainers, and about one fourth did both.

For companies under \$10 million, the most common meeting fee was \$300. The average retainer for companies under \$2 million in annual sales was \$1,000, while companies in the \$25 million-\$40 million range paid an average of \$3,700.

five times a year, with the smaller firms' boards meeting less frequently than the larger ones.

ing one. As John Nash says, "A board is only going to be as effective as the CEO wants it to be."

He recommends providing each board member with a job description so each knows what is expected of him. Nash also says the CEO must keep the board adequately informed and should neither lie to it nor mislead it. "If you stonewall the board or use it as a rubber stamp, it is useless to you."

Clement views his board meetings as forums where his outside experts can

"Sure, there are some times when you walk away very unnerved and harassed," he says. "And those are probably the times the board has really

On average, the boards met three to

G ETTING THE most out of a board may be the toughest part of hav-

Keeping his board up to speed on his business and determining how it can best help him, says George Clement, has made him a better CEO.

review his company's performance and critique plans for the future.

earned its keep.'

torates in scientific fields-and four outsiders. Because much of the firm's work is defense-oriented or depends on its ability to get grants, the outsiders were chosen not only for their ability to provide management monitoring and business contacts, but also for political influence and scientific background.

"The board you select should suit your particular needs and circumstances," says Nash. He suggests looking for experience that your company lacks. For example, if you are doing \$1 million in annual sales and want to grow, you might look for the head of a business that is doing \$10 million. If you hope to take the company public, you might look for someone with a background in finance or a manager who has already taken a company public.

Nash urges business owners not to select anyone who has a relationship with their companies, including suppliers or bankers. If they do business with you, he warns, they will look out for their own interests, not yours.

A five-person board with three outsiders is usually sufficient for a company doing \$5 million or less in annual sales, according to Nash. A larger com-

For More Information

If you need help in determining how to choose, use and compensate a board of directors, here are some re-Sources:

- · National Association of Corporate Directors, 450 Fifth Street, N.W., Suite 1110, Washington, D.C. 20001; (202) 347-3123. NACD offers seminars on the role of the board and on selecting directors. It assists member companies in finding qualified directors and provides training to board members.
- Outside Directors in the Family Owned Business, by Léon A. Danco and Donald J. Jonovic. This 207-page hardcover book deals with such topics as how to tell if you need a board and how to work with outside directors. Available for \$29.95,

- plus \$2.50 for postage and handling. from the Center for Family Business, Box 24268, Cleveland, Ohio 44124; (216) 442-0800.
- · Corporate Directorship Practices: Compensation, 1985 edition. This report on board compensation practices is available for \$75 from the Conference Board, Publication Sales, 845 Third Avenue, New York, N.Y. 10022; (212) 579-0900.
- · Growth Resources Fifth Edition 1984-85 Officer Compensation Report. This 200-page study of officer compensation practices of 21,000 small and medium-sized U.S. companies is available for \$375 from Growth Resources, Inc., One Newbury Street, Peabody, Mass. 09160; (617) 535-5500.



To order reprints of this article, see page 73.

PC Papa Abandons His Baby



Stephen Wozniak (right) and his former partner, Apple Chairman Steven Jobs, disagree on the personal computer's future. Wozniak thinks the market will shrink.

PERSONAL COMPUTERS are among the most ballyhooed fruits of the past decade's technology revolution—they are capturing the imaginations of people all over the world, influencing the way people work with information, creating a new generation of garage-to-corporation multimillionaires and assaulting the language with jargon.

Now one of the most celebrated of the heroic "computer nerds" says the industry he helped start is headed for hard times. Sitting in the offices of CL9, a Los Gatos, Calif., company he created to develop an as-yet-undisclosed home entertainment product, Stephen Wozniak is still the passionate tinkerer he was when he and Steven Jobs founded Apple Computer, Inc.

However, "Woz," as he is known to technophiles, has lost his optimism about the personal computer industry, claiming that there simply is no market for the machines as helpers with routine household chores like cooking, cleaning and laundering. Also, though his offices house a number of the Apple II computers he helped create, Wozniak says that small businesses like his often need only a couple of small computers unless they quickly grow large enough to require a medium-sized computer system to coordinate office and manufacturing processes.

"I think PCs will sell at a level a lot lower than people think," Wozniak says, estimating that sales could soon reach a plateau at about half their current level as "just about everyone who would buy a PC gets one." He envisions a time when buyers will purchase a small computer as they now do stereo equipment and other electronics gear, perhaps once every 10 years.

Wozniak's comments come at a time when the personal computer market, particularly the segment of it aimed at home use, has turned very soft. International Business Machines Corporation stopped manufacturing its PCjr home computer in April, Apple closed its plants for a week, and such other computer makers as Digital Equipment Corporation and Xerox Corporation have suspended or abandoned their production of small computers.

IBM has a sufficient PCjr inventory to meet anticipated demand. "We're still marketing it and fully supporting it," says John Pope of IBM's Entry Systems Division. The largest of the computer companies, IBM will continue to offer software for its smallest computer but chose to leave the market because it could not make enough profit at prices that attracted purchasers.

"That segment of the market," Pope concedes, "has not experienced growth as fast as we had hoped." IBM's sales of computers aimed at the office, where "Big Blue" is nearly invincible, have remained strong.

At Wozniak's old company, optimism continues for Apple's Macintosh Office line of products. With 5 million small and medium-sized businesses and 11 million managers in the country, says spokeswoman Kathleen Dixon, "there's really a large market out there."

There is a good deal of finger pointing as the personal computer industry ponders its disappointing sales and stock prices. Some people think projections of the industry's growth have been unrealistic and blame the research companies that follow the young field.

"It's our belief that a lot of the uncertainty is from self-inflicted wounds" caused by individual manufacturers' overly optimistic assumptions about their market growth, counters Timothy Williams, a senior analyst at Future Computing, Inc., a Dallas company that studies the industry. Williams says the number of computers sold for home use declined about 4 percent last year from the 1983 level as purchasers moved up to more expensive machines. He predicts 13 percent growth this year, to about 5.4 million computers sold for the home. Future Computing projects that about 3.7 million personal computers will be sold for office use this year, up from 2.7 million in 1984.

W OZNIAK'S VIEWS have played a part in an estrangement from his old garage-shop partner Jobs, now chairman of Apple.

Jobs refuses to talk about Wozniak's view of the small computer market, but an Apple spokeswoman offers this comparison: Wozniak, the restless inventor, sees the industry's current problems as a sign of a shrinking market while Jobs, the ambitious entrepreneur, sees those same problems as an indication of an immature market yet to be conquered.

Others say Wozniak's observations about the market for computers at home appear to be on the mark. Until machines of limited computing power come as accessories to television sets—the direction several Japanese companies seem to be headed—or until powerful computers to drive home appliances make life's little chores more palatable, people doing office work at home are expected to make up the majority of those using computers there.

It is also clear, however, that personal computers will continue to offer more and more power in less and less space, providing businesses of all sizes with computing capabilities limited only by managers' imaginations.

-Mike Lewis

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Triathlete Carol La Plant (below) is a lawyer and an endurance runner. She says she does it to fight the aging process.





Running, Biking, Swimming for Glory

Business people say triathlons are good for their work.

By Gary Kaplan

MUST BE GOING NUTS, Steven Borovay thought as he stroked the last few yards of a 2.4-mile swim. Looming ahead—and reinforcing his thought were a 112-mile bicycle ride and a 26mile run.

"Five miles into the biking event, my craziness was confirmed." Borovay confesses. "I was sweating like a pig, my legs, arms, shoulders and back were aching, and my eyes were glazing over."

Borovay, 30, an auditor at Fairmont Insurance in Burbank, Calif., was in the midst of a grueling triple-athletic test called a triathlon. Why was he punishing himself in this manner?

"Completing, or rather surviving, a triathlon makes me feel like a hero," he answers. "Life should be a series of hurdles, each progressively testing our stamina, strength and mettle. Physically, as well as mentally and emotionally, triathlons provide that adrenaline rush."

Triathlons began with a 1978 dare by Navy Commander John Collins. Present at a runners' award assembly, Collins challenged the group to compete in three Hawaii endurance events in a single day to settle the question of who were most fit: swimmers, bikers or runners. Collins' fitness test was comprised of the Waikiki roughwater swim (2.4 miles), a 112-mile bike ride around Oahu and the Honolulu marathon (26 miles).

Fifteen men took up the gauntlet, including Collins, now 48, who finished ninth. While his question was not resolved, it spawned a new sport. Collins' original distance tests—which take place each October on Kona—now make up Hawaii's Ironman Triathlon World Championship, where about 1,200 atheletes, including more than 300 company vice presidents, lawyers, engineers and assorted professional workers, annually compete.

Most of the entrants, including professional workers, are between 30 and 45.

Though the first triathlon took place barely seven years ago, the 1985 slate lists more than 1,500 triathlons scheduled in places ranging from Alcatraz to Cape Cod. The events will draw more than 250,000 entrants.

THE YOUNG SPORT still lacks set distances for both Ironman and Tinman (considerably shorter) triathlons. On average, Iron triathletes must complete a 2-mile swim, 75-mile bike ride and marathon. Tinman triathletes are tested by a less daunting 1.5-mile swim, 25-mile bike ride and 10-mile run.

Carol La Plant, 37, a lawyer with Heller Ehrman White & McAuliffe in San Francisco, has a philosophical reason for her triathlon and ultra-distance running competitiveness. "I see myself turning older and decaying and that's frustrating," says the three-time veteran of Hawaii's Ironman and numerous 100-mile runs. "Instead of taking a sedentary attitude about these natural

Gary M. Kaplan is a San Francisco free-lance writer.



physical changes, I struggle to stem the tide. I compete to stay young or, I suppose, to delay death.'

La Plant is a member of the Flatlanders Running Club, the "honor society" of ultra-runners. To be elected into the club, a reputation as a "macho" runner is required, based on multiple 100-mile

Perhaps because of that macho athletic image, La Plant finds triathlons overrated as endurance events.

"I've never seen an event where you are so pampered," she says about Ha-waii's Ironman. "There are aid stations every mile on the marathon segment and every five miles on the bike route. Spectators also line the entire course providing sponges, food and consolation."

Deeds Fletcher, 44, municipal bonds marketer for A.G. Edwards in St. Louis, became intrigued with triathlons after seeing a televised account of Hawaii's Ironman. An experienced longdistance runner, Fletcher felt triathlons could be a viable alternative and interesting supplement to his running. The challenge of putting together three sports also excited him.

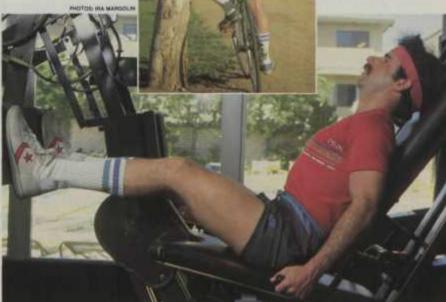
But the swimming portion of the event had him more than a trifle concerned. "At the time I could barely do 20 laps in a pool," he confesses. "The thought of swimming nearly 21/2 miles was awesome."

NATION'S BUSINESS · MAY 1985

competes all over the East, choosing events primarily for their surroundings. "If you're going to spend several hours on the road," he says, "why not be in the Vermont mountains or a similar beautiful locale?"

Wherever he competes, Katz finds

Steve Borovay, an insurance auditor, says that competing in the triathlon makes him feel "like a hero." That feeling keeps him in training.



Two years later, buoyed by thousands of laps in a local city pool, Fletcher arrived in Hawaii with swimsuit, bicycle, running shorts and wife (a week's vacation followed the triathlon). Most of the other competitions were over 30.

"That didn't surprise me," Fletcher says. "It takes tremendous time and dedication to train for an event like a marathon or triathlon, and younger people, though they may be in basically good condition, often don't care to invest in either.'

(There are, it should be pointed out, young "professional" triathletes, 20 to 30 years old, who excel in their sport. Most of the top finishers at each year's Hawaii Triathlon are in this group.)

Greg Fields, a Wilmington, Del., lawver, trains two to four hours daily but warns of a pitfall. "If I devote too many hours, it starts competing with my business and personal lives and everything gets thrown out of kilter."

VER THE LAST four years, Dan Katz

has completed 25 Tinman triath-

lons. The Citicorp sales representative

Not surprisingly, Fields says, a high percentage of triathletes are professionals whose careers have required years of study and sweat.

"These people are attracted to triathlons because, as in their careers, the events require great dedication," he says. "At the same time, they offer substantial rewards in the form of inner pride and satisfaction."

triathlon competitors invigorating, enjoyable people. "They have a real zest for life," he says. "In addition to the good exercise triathlons provide, I prize my competitors' camaraderie.'

Perhaps the biggest challenge for business triathletes, Tinmen and Ironmen alike, is finding time to train. Steven Borovay puts in 10-15 hours weekly at his gym, in addition to regular bike rides, laps at a city pool and plenty of basketball and racquetball. Deeds Fletcher, even with the time and responsibility required by a wife and six children, swims a mile three times a week and runs two miles three times weekly. He also bicycles to and from work, a round trip of 26 miles.

To Greg Fields, triathlons provide a tremendous pressure release. "There are times when everyone's job becomes mundane," he explains. "Competing provides a real spark. While triathlons are physically taxing, they are mentally refreshing. They make me more efficient and effective in my job."

Tax Issues Waiting in the Wings

By Gerald W. Padwe, C.P.A.

All the public debate about simplifying the tax code has obscured the fact that Congress must act on a number of tax issues in 1985 even if there is no major simplification. Included:

 Imputed-interest rules for seller financing expire June 30, and harsher rules will take effect July 1 unless Congress acts to forestall them.

2. The income exclusion for non-job-related tuition aid provided by an employer ends December 31.

The income exclusion for group legal plans also expires December 31.

 The exclusion for several kintax-favored utility dividend reinvestment plans expires December 31.

Research and development credits, energy credits and the targeted jobs credit all expire December 31.

Strict provisions restricting operating loss carryovers of an acquired corporation take effect after 1985 unless Congress postpones the date.

Other changes are not as pressing, but there has been introduced a Technical Corrections Act to fix some of the 1984 tax act's mistakes. Also, generation-skipping transfers—a trust set up for a grandchild, for example—may be the targets of additional tax legislation.

Business and Pleasure

The recent excitement over Treasury recordkeeping rules on the personal use of company cars may lead to a new look at numerous other areas in the tax world where business activities are mixed with personal benefits. And, changes in the tax law last year having made more fringe benefits taxable, it may be worthwhile to review some of the common benefits that mix business and pleasure—along with the tax head-aches they may bring.

GERALD W. PADWE is a national director-tax practice for Touche Ross & Co. For Your Tax File is an information service for readers. See tax and legal advisers on specific cases.



As the IRS becomes more strict about recordkeeping, it may question several kinds of employe benefits, such as tickets to sports events.

A new section of the tax code excludes four categories of benefits from employe income: (1) a no-additional-cost service (like air travel for airline emploves): (2) limited employe discounts on products or services the employer normally offers for sale; (3) workingcondition fringes (the cost of which would be deductible by the employe as a business-related expense if the employe had paid directly-car mileage on a business trip, for example); and (4) de minimis benefits (those that are so small that recordkeeping would be impractical). With some exceptions, the fair market value of any benefit that does not fall into one of these categories is now taxable income subject to withholding.

Club memberships. A club membership (country or otherwise) may be excludable as a working-condition fringe, but you may face a long battle with the Internal Revenue Service over whether the dues and fees are primarily business-related so that the employe could have deducted them. Unless the requirement has been repealed, you also have to keep contemporaneous records to substantiate business use.

Company restaurant. The value of subsidized meals is clearly excluded from employe income if amounts charged to users cover direct costs. Further, the service must be offered on a nondiscriminatory basis, not just to officers and highly paid employes. Un-

der the longstanding rule of meals provided "for the convenience of the employer," the full cost might be excluded if there are no eating facilities locally or the lunch period is too short to allow employes to leave the premises.

Tickets to entertainment events. Unless substantiated as having been used for legitimate business entertainment, tickets could be taxable to the employe who used them. If company-bought tickets are not very expensive, and only occasionally used by a particular employe, they might be excluded from income as a de mini-

mis fringe. This sort of use deserves close attention, however; if the employer does not treat nonbusiness tickets as compensation and withhold tax when the tickets are used, their cost will not be deductible.

Athletic facilities. Facilities provided on the employer's premises to employes and their immediate families, but not restricted to officers or highly compensated employes, are now clearly excluded from income. This does not include any club dues, unless the club is operated by the employer and satisfies the same rules as do athletic facilities.

Chauffeured limousine. The taxability of this type of benefit is not significantly changed by the new law. (The automobile itself is, of course, subject to the much publicized depreciation and investment tax credit restrictions and recordkeeping requirements.) To be excluded from compensation, the chauffeuring must be necessary to the jobfor instance, as a security measure—or provided only for trips between business locations. Use of the limousine for normal commuting will, as always, be taxable income to the employe.

Employe porking. Parking at or near the employer's premises is an excludable working-condition benefit. There are no requirements that it be provided on the same basis to all employes, nor need the cost be one that would have been deductible if the employe had paid it directly.

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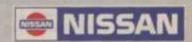
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ported. The company's combined total of 203,724 trucks was 48 percent above 1983's record high of 137,355.

The objective, explains Thomas, is to manufacture about 150,000 trucks at Smyrna and supplement that with another 100,000 imports, primarily for the West Coast.

Fleet purchases of compact trucks are growing, Thomas says. Large purchasers like state governments or utilities may request bids, with manufacturers required to meet specifications and compete on price.

The typical contract covers 50 to 200 vehicles. But many small companies purchase much smaller fleets, perhaps five vehicles, directly from local Nissan dealers.

While American Isuzu Motors, Inc., is making headway in the compact pickup market, its new sister company, Isuzu Truck of America, is

going after another segment of the U.S. market.

Isuzu Truck Vice President and General Manager Steve Allen says a new mid-sized truck, designed specifically for city delivery applications, will fill a market void left by U.S. manufacturers, which do not produce such vehicles.

"The customer still needs the prod-uct," says Allen. "In the past he has typically bought a heavy-duty Ford or GM pickup cab and adapted a box to meet that need. He bought a unit that should only carry about 3,000 pounds, and the manufacturer then beefed it

But Isuzu's diesel-powered vehicle is designed specifically for commercial applications. It is designed to weigh 10,500 pounds, including a 5,700-pound payload.

"We're offering something that is truly a commercial vehicle-not something you adapt," observes Allen.

The new Isuzu truck is chasing potential sales estimated by Allen at 150,000 vehicles a year. It is designed for large deliveries of such things as furniture, nursery products and packages and cartons.

Thus, while other manufacturers have looked at the market and discovered it is profitable to make smaller, more efficient trucks to meet specific business needs, Isuzu has discovered that the same principle can work in re-

Meanwhile, at Ford, where Ranger



Xerox fleet manager Ronald Pink (left) says the company has saved with minivans, and, by allowing drivers to use vehicles at home, has improved safety records.

sales are strong, studies show that personal rather than business use is primary. The full-sized F-series trucks are still holding their own for both business and personal activities.

Beryl S. Tajich, compact light truck marketing plans manager, says a 1983 marketing study showed that only 5 percent of the Ranger's use was exclusively for business, with 28 percent for both business and personal purposes. The F-series trucks showed 6 percent strictly business, but 40 percent for

both purposes.

ORD IS ENTERING the minivan market with its new Aerostar model, to be available next month. "We're planning on a large percentage of them to be used in the service field, such as by computer hardware companies, pickup and delivery firms and companies with a somewhat lighter duty cargo requirement," Tajich says. The payload limit for the Aerostar will be 2,000 pounds, compared with 6,000 for the E-series Econoline.

Delivery services are a favorite customer of the compact truck and van manufacturers.

Joe Bruno, Sr., national maintenance manager for Minute Man Courier Service, of Dedham, Mass., says his company purchased 40 Toyota diesel minipickups to replace larger pickups.

Minute Man breaks down its operations into two segments-delivery of envelope-size packages and distribution of larger items, primarily supplies, to businesses.

"We did it for fuel economy," says Bruno. "The pickups we had before were too small for our distribution business and too large for the envelope business. And we were getting only 9 to 10 miles per gallon. We switched, and now we're getting about 30 mpg and the Toyotas are just the right size for our envelope business." For the other segment of Minute Man's delivery service, distributing supplies and components to business and industry, larger vehicles, including step vans and trailer trucks, are used.

The minitrucks, and now the minivans, are proving to be a favorite among dealers, too.

John J. Pohanka, president of Pohanka Olds-GMC, Inc., of Marlow Heights, Md., sells both GMC and Nissan minitrucks.

"We're getting business customers as well as customers who buy them for personal use," he says. "The smaller trucks are infinitely easier to park and to get around in."

In fact, Pohanka now uses one of GMC's minitrucks for parts delivery instead of the half-ton standard pickup that was previously used. "The parts fit in there fine," he says. "It's reliable. It will save us money.

For most businesses, that's the bottom line. Today's little trucks and vans are providing a new, important way for them to realize bigger profits.



The 11-month wonder: American Transtech's building in Jacksonville, built on time, on a tight schedule.

Development in 2000

By Manny Ellenis and Jack Dobson

SWEEPING CHANGES in the American economy, because of rapid advances in technology, and the parallel emergence of a global economy have set trends in site selection that will affect choices through the end of the cen-

To pinpoint those trends, Development Counsellors International polled about 200 professional developers and members of the American Economic Development Council who annually work with thousands of site selectors.

These developers from private, public and civic groups across the country see a future that should hold promise for a lot of businesses that have not ordinarily thought of themselves as objects of interest to economic developers. The major findings:

Small is beautiful. At the turn of the millenium, the developers believe, most of the jobs will come from small companies. They get the nod by 2 to 1. Medium-sized companies are favored over large companies by well over 3 to 1. So if you are an executive of a relatively small company, expect more attention,

Manny Ellenis is executive vice president and Jack Dobson is research director of Development Counsellors International, a New York-based firm specializing in economic development

marketing. NATION'S BUSINESS · MAY 1985 information, assistance and incentives from the nation's 7,000-plus economic developers.

More white collars. Respondents agree that the United States is becoming a service economy. The degree of agreement is surprising, with 93 percent saying that most growth will be in service jobs, and only 7 percent saying it will be in manufacturing. Look for the shift to services to accelerate.

More high tech applications. The growth industries of the future will be those that find applications for high technology (not necessarily those that produce advanced-technology equipment). Next will be health care and data processing. Research and development and financial services are in a middlegrowth group. Bringing up the rear, according to the sample, are high tech production, assembly operations, distribution and, at the bottom, heavy industry. Those surveyed are suggesting that you not shift into something new that is glamorously high tech. Instead, invest the best technology you can find in what you are doing already.

Quality of life as a drawing card. In the recent past, the conventional reasons for relocation have been labor costs and new markets. The survey suggests the future will be different. Quality of life-all those cultural, educational and residential advantages important to families-is far and away the most important reason for a company to relocate (or stay where it is). Then come marketing access and labor availability, with energy costs a surprisingly strong fourth. Other factors are labor costs, training programs, financial incentives and available sites.

Retaining businesses. From the 1940s to the 1980s, chasing businesses-and particularly smokestack industries-was the object of economic developers. But our experts say that is rapidly changing. At the end of the 1990s, they say, communities will be trying to retain businesses they already have and to encourage startups by entrepreneurs. That means that you should not wait until you are considering an expansion or relocation to talk to an economic development professional. Give the expert a chance to help you stay happy and profitable where you

Uncle Sam over your shoulder. Despite more than four years of Reagan administration deregulation, those surveyed predict more, rather than less, government meddling in 15 years, by 55 to 45 percent. So Washington contacts or representatives will continue to be important in relocation decisions.

Keeping these predictions in mind can give you an extra step on the competition in the site selection race.

Helping Companies Relocate



PHOTO: JUDITH DEFTER



The company's move to Jacksonville, Fla., was made with surprising speed.

AMONG THE biggest challenges ever to confront a team of site selectors appeared suddenly in the spring of 1982: Find a location for a \$40 million, 462,000-square-foot computer center to process 200 million stock transfers a year, build it, equip it and staff it with more than 2,000 new employes, and do it all in 11 months.

The task fell to a professional relocation consulting firm that examined some 60 American cities, narrowed the choice to nine and then, with the client in full accord, decided on Jacksonville, Fla. Ground was broken in November, 1982, and the complete move-in took place in September, 1983, right on target. Mission accomplished.

But this is running ahead of the story. The company in question is American Transtech, formerly American Telephone & Telegraph's stock and bond division, which had been headquartered in Piscataway, N.J.

The saga of American Transtech began shortly before Aug. 24, 1982, when AT&T signed a consent decree with the Justice Department promising to divest itself of its 22 Bell System operating companies on the first day of 1984. AT&T agreed to confine itself to long-distance service, with the divested companies regrouped into seven independent holding companies supplying local service.

Given the size of the divestiture, it was impossible for AT&T to split out its stockholder files so that these new telephone giants could set up their own stockholder relations departments by the start of 1984. With Justice Department approval, AT&T offered to provide these services through its stock and bond division. However, the division simply was not big enough to handle the giants' 18 million shareholder accounts plus AT&T's 3.2 million. And so American Transtech came into being as a subsidiary of AT&T.

Once the choice of sites had been narrowed to nine cities—and then to Jacksonville and a sun belt city outside Florida—high-level management teams began to make blind visits, arriving anonymously to size up the industrial infrastructure, the caliber of the work force, the availability and trainability of new employes, the quality of life and, most important, the attitudes of local officials and business leaders.

These visits tipped the scales in favor of Jacksonville, Says American Transtech President William Hightower: "We're a high tech, high volume company. We provide services to the millions of shareholders of eight of the largest companies in the world. We could have moved anywhere. But we chose Jacksonville, 'Florida's Business City,' We're very excited about being here."

The blind-visit technique was modified in searching out a qualified construction contractor. Here is what happened: Haskell Company, a Jacksonville design and contracting concern, received an anonymous telephone call

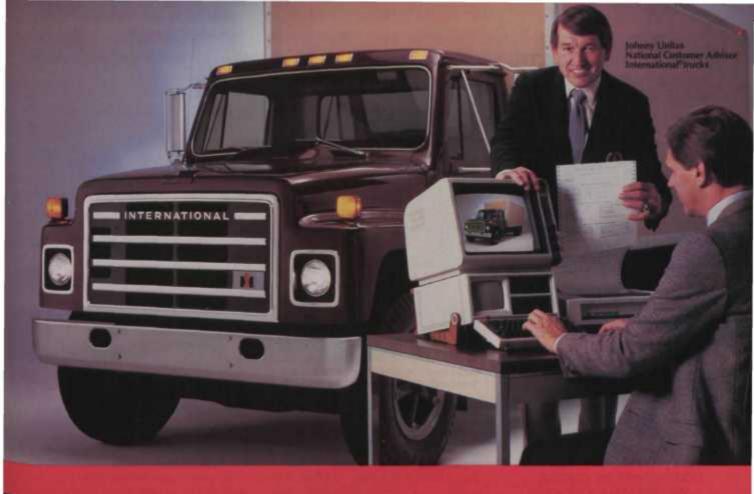
sounding it out about building a massive computer-oriented facility. It then received some general, handwritten specifications on two sheets of paper. Next it was asked to make a detailed presentation in seven days on how it would go about building the facility, how it would meet tight deadlines and how much the project would cost.

WITHIN THE WEEK, Haskell came up with a detailed proposal, including a site plan, that was remarkably similar to the facility as it now exists. It got the contract.

Haskell had one person who acted as project coordinator, and AT&T's 195 Broadway Group, its real estate department, also had one person who acted as project coordinator. The hundreds of people involved on both sides funneled all activity through these key coordinators.

Both sides credit the City of Jacksonville and a strong dose of public and private participation in getting the project off the ground on time. Says Haskell's Senior Vice President John Zona III: "The Jacksonville building department helped expedite the procedure. They will work with you on a project to a greater degree than elsewhere in our experience."

Construction projects of this magnitude usually take well over a year, but Haskell was able to meet its deadline largely by using the "fast track" scheduling system in which many functions



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Jacksonville's location as a terminus for rail, air and roads gave American Transtech confidence that its 116 million pieces a year will get mailed.

that normally occur sequentially are overlapped to save time. For example, field construction, such as installing underground utility lines, was begun as soon as site engineering and foundation design were finished—months before construction plans for the entire three-story, five-building complex were completed.

Jacksonville's team spirit and willingness to cooperate were important factors in both relocating 250 families from New Jersey and hiring more than 2,000 new employes, according to David Clavier, American Transtech's director of public relations.

He says that "the Committee of 100, the economic development division of the Jacksonville Chamber of Commerce, did a superb and professional job in helping our relocating families find housing; in introducing them to schools, shopping and fraternal organizations, and in generally presenting the amenities of the community."

Fortunately, Clavier says, the search for employes was eased greatly by the fact that Jacksonville has a strong financial services base—plenty of people with experience in banking and insurance. These are precisely the types needed for clerical and administrative slots at the new computer center.

He adds that the Committee of 100 was especially helpful in bringing the company together with local employment agencies and also with area junior colleges and community colleges where skill-sharpening programs were arranged under the Job Training Partnership Act. Other assets in terms of human resources are the nearby University of North Florida and the main campus of the University of Florida, just 75 miles away in Gainesville.

Says Hightower: "We can find people

here with high tech skills, and we can keep them."

Jacksonville's location and transportation infrastructure also were magnets for American Transtech.

In 1984 alone the company sent out 116 million mailing pieces. That means access to and by suppliers is critical, and the suppliers in most cases are the customers themselves—names like NYNEX, Bell South, U.S. West—that provide annual reports and other data for forwarding to stockholders. Local postal authorities have accepted the challenge cheerfully.

J ACKSONVILLE is the eastern terminus of Interstate 10, which sweeps across the sun belt to Santa Monica, Calif., and both passenger and freight air service are excellent.

American Transtech's \$40 million investment in Jacksonville is part of a trend. New and expanding companies have spent almost \$2 billion since 1980, says C.W. "Chuck" Tomchey, economic development manager at the Jacksonville Chamber of Commerce.

Other recent major projects include the 800,000-square-foot Prudential Plaza at \$90 million, the 1 million-square-foot Southern Bell Tower at \$83 million, the 260,000-square-foot Bendix Corporation division headquarters at \$40 million, the 345,000-square-foot Florida National Bank headquarters at \$40 million, the 40,000-square-foot corporate headquarters of Brockway, Inc., and the announced move of First Data Resources, which will have 1,500 employes.

"Jacksonville is indeed Florida's business city," says Frank Pierce, director of the Committee of 100. "The growth and movement that we're experiencing are no accident."



SFE Technologies of California manufactures ceramic capacitors for talecommunications equipment, consumer electronic products, military and aerospace applications, data processing equipment and industrial controls. All serious stuff.

The selection of the right location for a second ceramic capacitor plant was equally serious. SFE's reputation as a reliable supplier of a quality product was at stake. So was their bottom line.

Louisiana helped satisfy SFE's primary concern — quality and reliability—by setting up a pre-employment training program at no cost to the company. It helped with the bottom line by providing innovative financing and a comprehensive package of incentives that is expected to save SFE \$2.4 million. SFE helped itself by choosing to locate in one of Louisiana's Enterprise Zones that offer special tax and other advantages.

SFE's experience is instructive, but not unusual. It's the result of the state's pro-growth attitude and carefully thought out benefits to promote it.

To learn if Louisiana can be worth millions to your company, call the Assistant Secretary for Commerce & Industry at (504) 342-5361, or write P.O. Box 94185, Dept. NB-5-5, Baton Rouge, LA 70804-9185.

Out of the South comes a new center of technology, research and business achievement.

LOUISIAM



16 years and four plants later . . Control Data is sold on eastern Nebraska.

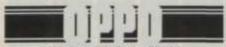
Control Data chose eastern
Nebraska for a manufacturing
plant 16 years ago and has been
growing since. Recently they
completed their fourth major construction project in Omaha, the
addition of a research and development center. A major reason
for expanding in eastern
Nebraska . . . low-cost, reliable
electricity.

In Nebraska, Control Data manufactures magnetic recording media for computer disc drives. Their media plant in Omaha is one of the largest magnetic media-producing facilities in the world. Because Control Data has highly intensive electrical needs, the fact that Omaha Public Power District's commercial and industrial rates are among the lowest in the nation carried a lot of weight in site selection.

Control Data found other advantages in Nebraska . . . the central U.S. location, excellent transportation facilities, Nebraska's right-to-work law, and the exceptional work ethic of a local labor force who still return a day's work for a day's pay.

OPPD, with electric power generated from nuclear fuel and Wyoming coal, supplies electricity to Control Data, one of many growing industries in thriving eastern Nebraska.

For more facts or aerial photos of rural or metropolitan sites in OPPD's 13-county service area, write or call: Tom Gage, Manager of Area Development, OPPD, 1623 Harney Street, Omaha, Nebraska 68102, 402-536-4347.



Omaha Public Power District

NB-5

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When it was ready to relocate, Lima Electric decided home was best.

Relocation Round Trip

W HEN Lima Electric Company of Lima, Ohio, expanded in the 1970s, it decided to relocate its increased capacity in Greenville, Ala.

The 49-year-old company manufactures two different sizes of generators for such purposes as standby power and irrigation work; it has about 250 employes. The larger-sized generators had experienced a surge in demand because of increased oil drilling activity.

Lima Electric kept manufacturing its larger generators in Lima, and, after studying possible expansion in Ohio, elected to go south to construct its smaller generators.

In 1982 there was a drastic slump in demand for larger generators. The bottom virtually dropped out of the oil drilling industry.

In April, 1984, Lima Electric, a subsidiary of the Condec Corporation, was acquired by the Farley Acquisition Corporation. The Farley organization decided, because of the decline in sales and high cost of maintaining two plants, each running at only about 50 percent capacity, that consolidation was inevitable.

The key question: Where should that consolidation take place?

Prudently, the Farley group assigned Lima Electric management the task of conducting a study to make recommendations on the best place to consolidate, either in Lima or in Greenville.

The company approached a local labor union committee to see whether ways could be found to make labor costs in Lima more attractive. Although it was clear the cost gap could not be closed completely, labor and management hammered out an agreement.

Concessions on the part of the employes included eliminating individual incentive pay—which could range, depending on the type of work involved, from 120 percent to 180 percent of base pay—and agreeing to a measured day rate system for all employes to retain overall productivity.

Even more impressive, the union agreed to begin its new agreement in the summer of 1984, even though the existing contract was not due to expire until July, 1985.

These concessions, along with aid totaling more than \$200,000 from the State of Ohio for funds to move equipment and inventory, cemented a company decision to come home to Lima. And so it did, in October, 1984.

At the time, William F. Farley, chairman and chief executive officer of Farley Acquisitions, said about the move: "Our strong presence in this state... demonstrates Farley's confidence that when employes, state and county officials and the company work together, growth is certainly possible in Ohio."

Commented Ohio Gov. Richard F. Celeste recently at the Municipal Forum

of New York;

"Already, the strong climate we are creating in Ohio is attracting sun belt industries back to our state. Farley, a manufacturer of electrical equipment, announced in July it would relocate its Southern production facilities back to its Lima plant. That's 100 new jobs for Ohioans... because Ohio is becoming a good place to do business."

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""Including occupants, equipment and carrys. On One-Ton, max. CovWR not to exceed £500 lbs. for

#1 SELLING SMALL TRUCK IN AMERICA!



Planning for Expansion

W HEN THE Bendix Safety Restraints Division of Allied Corporation, the big conglomerate, relocated from Knoxville, Tenn., to Greenville, Ala., it was not just moving current operations. In just 4½ years, the company has not only moved, it has carried out two major expansions and is about to launch its third. Over the same brief time span it also has increased its work force more than threefold.

As the name suggests, Bendix Safety Restraints produces seat belts—the complete assembly ready for installation—for Ford and General Motors. The expansion about to begin is in preparation for handling 25 percent of Chrysler's North American business.

What prompted the initial move was an urgent need for consolidation. Not only was the company rapidly outgrowing its heat treating and metal stamping facility in Knoxville (for the hardware of the seat belt assembly), its webbing was cut and sewn in Canada. Obviously, the grouping of all operations under one roof would expedite production and boost overall efficiency.

Why Greenville, a city of 9,000 just about midway between Montgomery and the Gulf of Mexico?

Says plant manager John Murphy: "Certainly the company needed room to sprawl, and Greenville had it. But more important, it offered a large and motivated work force, most easily trainable and many already seasoned in industrial sewing, thanks to the area's history of textile and carpet production."

Murphy notes that Greenville's location on Interstate 65 was another important consideration, because all of the company's shipments—supplies coming in and finished products going out—are by truck.

But what clinched the decision to move to Greenville, Murphy says, was the "chemistry factor"—the upbeat, cooperative, ready-to-serve attitude of local officials and business leaders, complemented by the strong work ethic of the labor force.

The search that led to Greenville began in 1979 when a group of higherechelon executives in Knoxville decided
to scout potential new sites. They started by contacting various economic development agencies at the state level
throughout the South. Soon four cities
were under consideration and then only
two: Greenville and Douglas, Ga. The
Knoxville team mulled over the decision
with division headquarters in Mount
Clemens, Mich., and Greenville finally
was selected.

"What did it," says Murphy, "was the willingness of the Alabama Development Office in Montgomery to bend over backwards in helping us. What was especially appreciated is ADO's policy of bringing industrial prospects together with high-level executives at existing industries—a chance to compare notes and needs, to hear it from those actually doing business on the scene."

AND so the decision was made. Immediately the Greenville Industrial Development Board, under the chairmanship of Gene Hardin, got together with the mayor's office and the local banks to arrange industrial revenue bond financing for the purchase of a 40,000-square-foot building that had previously been owned by a yarn company.

That was in July, 1980. By December a 100,000-square-foot addition was in place, again with IRB financing provided. In July, 1982, another 40,000 square feet were added. That brought the total to 180,000 square feet on a 21-acre site-

"The decision we face now," Murphy explains, "is whether to put up still another addition or acquire a 60,000-square-foot building on adjoining property. Whatever we do, however, the city and the banks are prepared as always to come up with the financing."

Help by ADO and the city also played a key role in building the work force, which has swelled from 300 in 1980 to 960 today. During the company's first three months in Greenville, ADO set up and carried out training programs in sewing and assembly, and it handled all recruiting and pre-screening. This is done through the Alabama Employment Service all around the state, and in this instance through its office in Greenville.

"We still use the Alabama Employment Service for all our hiring, but now we run our own training programs," Murphy says. At the time of the move, he adds, the company relocated 35 of its



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salaried employes from Knoxville, and all got the red carpet treatment in Greenville.

He says the city was extremely helpful in the employes' searches for housing and in introducing them to schools, churches, civic clubs and the community in general.

Murphy points out that in 1980 Alabama ranked fifth in the nation in unemployment. Greenville citizens were thankful for jobs and responded with

high productivity.

In 1982, when the plant was two years old, Edward L. Hennessy, chairman and chief executive officer of Allied, decided to present a productivity award to the most efficient of the organization's 750 facilities worldwide. Greenville won. If that were not enough, each year Ford Motor Company presents its "Q One" quality award to fewer than 100 of its more than 5,000 suppliers. Greenville holds one of those awards.

Not only is productivity excellent in the Greenville area, but so is service support, Murphy says. He notes that construction capabilities are first-rate and that contractors in nearby Montgomery handled the two expansions with speed, top craftsmanship and affordable fees.

"Building costs are relatively low in the South, but that does not mean you will not get a super job," he declares.

Bendix Safety Restraints requires a tremendous amount of tool and die work, which is now readily available.

"In the beginning we had a bit of a problem, but we quickly located several tool and die makers in Montgomery," Murphy says. "We flooded them with business and still do. Along the way we opened our own in-house shop. Then a tool and die company that had supplied us in Knoxville decided to move to Greenville."

E CONTINUES: "When that move was announced, the city again went out of its way to come up—and quickly—with industrial revenue bond financing, and it rezoned a suitable building for industrial use. By helping the company it also helped us."

Murphy himself is now part of the process that attracted the company to Alabama and to Greenville in the first place. He is always available to meet privately with industrial prospects and

answer their questions.

His advice: "Beware of inflated descriptions of the work force. Numbers are one thing; quality another. And always talk to the plant manager or top man on the scene. Let their experience help you determine whether or not to locate in a particular area."

Why Florida's Business City was first choice for the Mayo Clinic.



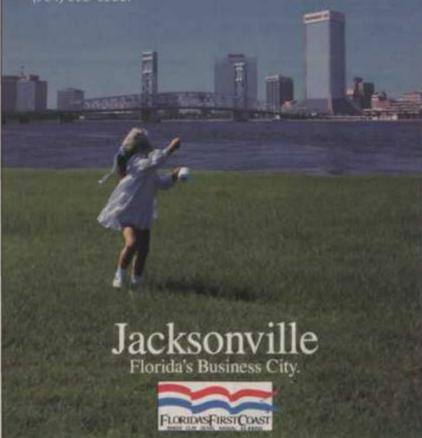
D. Thane Cody, M. D., Ph. D. Vice Chairman of the Bourd of Trustees Mayo Foundation

"For the first time in our 77-year history the Mayo Clinic will establish a satellite facility — a \$10-million clinic in Jacksonville, Florida's Business City.

"Jacksonville has a strategic location, rapid growth, a high quality of life, and excellent educational and recreational opportunities. Our aim is to develop the clinic to the point where

the city, in addition to its business strength, will become the medical center of the Southeast."

Jacksonville has attracted operations of more than 50 major organizations like the Mayo Clinic in less than two years. For information, contact Frank W. Pearce, Director, Committee of 100, Jacksonville Chamber of Commerce, P.O. Box 329-A, Jacksonville, FL 32201. (904) 353-0333.



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For more information, contact Mr. Roy Harris, President, Industrial Development Commission of Mid-Florida, Inc., P.O. Box 2144, Dept. NB, Orlando, FL 32802.

The Welcome Mat Is Out for Entrepreneurs

CITIES AND STATES recognize that entrepreneurs and small innovative companies are the engine of growth, and they are marshaling regional resources to offer assistance of all kinds to startups.

During the last decade, small firms generated 66 percent of all new jobs, according to Peter Drucker, the management consultant. Small companies produce 24 times more innovations per dollar than larger ones and 2½ times more innovation per employe, says William C. Norris, chief executive officer of Control Data Corporation.

Some areas are putting together in-

"We got tired of seeing our scientists come up with a bright idea, then take it to some other city to produce it."

dustrial incubators, which give a neophyte company space and support services at low cost. Up to now these industrial breeders have been designed for a wide range of businesses. The current trend is toward assisting high technology ventures.

Birmingham, which not too long ago was known as the "Pittsburgh of the South," is making use of its University of Alabama in Birmingham Medical Center to push the "Magic City" into the age of advanced technology.

"We got tired of seeing our scientists come up with a bright idea, then take it to some other city to produce it," says James Woodward, senior vice president of UAB's University College.

The university created a \$3.2 million incubator with a \$600,000 annual operating budget to help inventors develop new products to the prototype point. Half of its 35,000-square-foot building, which will be ready this August, will be devoted to laboratory and research facilities.

Anna Saint-Schnepp, assistant direc-

tor of the incubator—formally the Center for the Advancement of Developing Industry—says:

"Already we have four incubator tenants taking up temporary space at UAB, with one of them just about ready to market his new product. A tremendous enthusiasm is developing for the incubator because Birminghamians realize that the time has come for us to exploit our tremendous research base,"

A new company, Applied Bio Medical Computation, Inc., will soon market computer software enabling diabetes patients to determine the treatment and diet best suited to their condition.

Other entrepreneurs are developing medical devices and other advanced medical-oriented software.

Saint-Schnepp says that the UAB incubator welcomes people with innovative ideas in all areas of advanced technology. This includes telecommunications, biotechnology, robotics and computer services and peripherals.

"We are interested in eligible entrepreneurs from all over the country," she adds, "not just from the Birmingham area or Alabama."

The facility offers space at cost, as low as \$3 a square foot, plus access to UAB's computer services, extensive scientific laboratory and secretarial, accounting and word processing equip-

"The average failure rate in the United States for high tech startups is 70 percent," says Woodward. "Because we will be providing support and advisory services from our business school—most scientists don't want to be bothered by the discipline of business—we think that our failure rate will range from 25 percent to 30 percent."

Don A. Newton, executive vice president of the Birmingham Area Chamber of Commerce, says: "The significant thing about our incubator is that just about everybody is funding it—the Alabama state legislature, Jefferson County, the city of Birmingham, the Greater Birmingham Foundation and, of course, UAB."

The city is planning an incubator that will help low tech entrepreneurs develop budding products, says Newton.

"UAB's tremendous presence, supplemented by other Birmingham research facilities, explains why right now in Birmingham we have 20,000 scientists, engineers and technicians working in a city that a decade ago was far better known as the South's steelmaking center," Newton says.

Syracuse, New York's third largest

Syracuse, New York's third largest industrial center, is also establishing a specialized high tech incubator. The Greater Syracuse Chamber of Commerce is leading the way, but Syracuse's 20,000-square-foot company hatcher will work closely with nearby Syracuse University's Center for Advanced Technology in Computer Applications and Software Engineering.

Says Sam Williams, director of the incubator:

"Syracuse has had some success in attracting Canadian companies, and we are making space available to them when our incubator opens in September. In fact, had it been open now, we would have two Canadian tenants."

Control Data has been particularly active in spawning startups with its business and technology centers around the country.

communities are also mounting efforts to help the small or mediumsized company get government contracts. One winning technique: Establish a bid resource center where data, specifications and blueprints for government contracts are centralized, and where a permanent staff is available to aid businesses in applying for and filing bids.

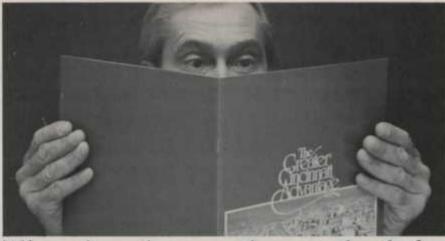
Wyandotte, Mich., was the first city to go this route, trying to help local suppliers to the then-ailing auto industry diversify. In its first year of operations, the Wyandotte Center procured \$21 million in federal contracts.

In one unusual case of state government cooperation, Rhode Island and Massachusetts are working together to form an unlikely but workable marriage—getting electronics firms along Massachusetts Route 128 to give subcontracts to hard-pressed Rhode Island jewelry firms, whose exports have been declining because of the strong dollar.

According to Louis A. Fazzano, director of the Rhode Island Economic Development Department, the marriage makes sense because jewelry and electronics frequently use the same production methods and equipment.

Already several high tech companies, including Augat, Inc., Foxboro Company, Digital Equipment Corporation and Raytheon, have been visited to study their needs for possible subcontracting.

Next step: Ten Rhode Island jewelry manufacturers will be visited to determine how their manufacturing operations can be diversified to accommodate high tech.

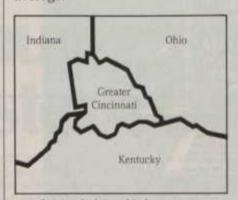


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Teleports: Eye in the Sky



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AS LONG-DISTANCE telecommunications increasingly become an integral component of day-to-day business for many firms, managers constantly are searching out new services that combine reliability with economy. One solution is the teleport.

What a seaport is to inbound and outbound cargo, the teleport is to information. It is a ground station that enables its clients to transmit and receive voice, data, video and facsimile signals through domestic and international communications satellites. The teleport itself is linked to the clients by microwave, cable, fiber optics, telephone lines, FM sideband, low-powered television or cellular radio.

Teleports offer users the benefits of satellite distribution without the expense of establishing privately owned satellite links.

Proponents of teleports believe that such facilities can cut communications costs by as much as 40 percent for brokerage houses, insurance companies, banks, engineering firms, broadcasters and others with significant long-distance communications requirements.

The proponents also believe that teleports are becoming important tools of economic development because they enhance the communications capabilities of communities in which they are located and thus make them more attractive as commercial centers in general.

More than 25 teleports are now in operation, under construction or in the planning stage across the United States and Canada.

The biggest teleport of all is nearing completion in New York. It is a \$225 million consortium of the city, the Port Authority of New York-New Jersey, Merrill Lynch and Western Union on a 210-acre site on Staten Island, 5 miles southwest of Wall Street.

One million square feet of office space will be built at the site over the next several years, and 3,400 full-time jobs are expected to be created. Users throughout the New York area will be linked to the teleport by a fiber optic network, because New York's skyline precludes a microwave system, the most common linkage.

THOUGH NOT quite proliferating, teleports are here to stay: Witness the formation last year of the American Teleport Association, headquartered in McLean, Va. Its president, Robert Schmidt, also is president of CTM Teleports in Washington and Dallas-Fort Worth.

Also in operation is Teleport Chicago, owned by the Journal Company of Milwaukee.

Located in suburban Skokie, Ill., and adding to that community's business-attracting power, the teleport serves the major TV networks and is building a microwave link to the Chicago Merchandise Mart—a made-to-order source of teleconferencing and data transmission business.

In San Antonio, Ray Ellison Developments, one of the Southwest's biggest real estate developers, is building a 3,000-acre, mixed-use development called New World. A teleport will be a central feature.

Some of the other U.S. cities where the teleport phenomenon is taking hold are Atlanta, Boston, Columbus (Ohio), Denver, Honolulu, Houston, Los Angeles, Raleigh (N.C.) and Tulsa.



Long Before There Was a Silicon Valley or Route 128 Oklahoma Was Deep Into Advanced Technologies

Now AT&T has chosen Oklahoma to produce its large multi-use computers, aided by Magnetic Peripherals, Inc. (Control Data). Fife Corporation here is world leader in computerized measuring equipment. Components for rockets that propelled man to the moon were produced by a skilled Oklahoma work force. Hertz and American Airlines placed their world-wide reservations centers in Oklahoma. Dyna Turn and others are producing rigid computer discs, on-line data processing facilities, sophisticated medical equipment and much more.



The Profitable Place To Be

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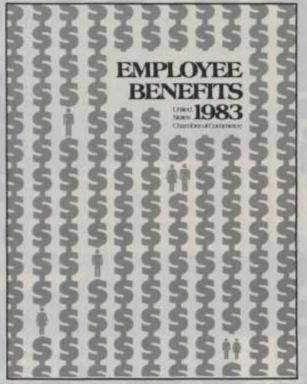
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Looking Better And Feeling Better

By Annette Kornblum

An actor in a deodorant commercial has this advice about casting calls: "Never pick up the phone on the first ring, never say I'll be right over, and never let 'em see you sweat. It's okay to be anxious just as long as you don't look it."

Recent studies have shown that the effects of good grooming are more than skin deep. Not only do people who look their best come across as more friendly, sociable, competent, well adjusted and self-assured, but apparently they often really are happier and more successful. In the business world, experts believe appearance can decide whether one person gets a job, raise or promotion over another with identical qualifications.

"You don't have to be beautiful or a fashion model, but the way you look can convey confidence, convince someone what's good about you, and in a sense help you get around other obstacles," says Thomas F. Cash, an associate professor of psychology at Old Dominion University in Norfolk, Va.

In a paper for the Cosmetic, Toiletry and Fragrance Association, Inc., Cash says that cosmetics can be used to bolster the spirits of those who were not born beautiful—or handsome—or who have flawed self-images.

Cosmetics used in therapy have also been effective in treating cases of depression and self-image disorders like bulimia and anorexia nervosa, according to Jean Ann Graham, a postdoctoral research fellow at the University of Pennsylvania School of Medicine and a consultant to the cosmetic and pharmaceutical industries.

Cosmetic therapy following plastic surgery that does not entirely solve an appearance problem may help patients compensate for their disfigurements and also bolster their self-image. And, in a study last year on cosmetic therapy for the elderly, Graham and Albert M. Kligman, a dermatologist at the University of Pennsylvania, found that women who received cosmetic therapy reported feeling more attractive, healthier looking, more sociable and self-confident, and they had a more positive outlook on life.

Graham suggests that cosmetics can also help healthy people maximize their effectiveness by creating a positive cycle of looking good, feeling good and so continuing to work at looking good.

One trial attorney whose track record in court was suffering began having his eyebrows reshaped to convey a more positive image. "I had to clean him up to give him a more honest, younger, less sinister-looking face," explains Linda Meliani, owner of Chic, Inc., a Washington skin care and makeup salon. She says an on-air TV reporter was advised to apply concealer so "he doesn't look as though he had been working on a story all night."

Not surprisingly, businessmen's heightened awareness of their appearance is leading to a surge in sales of men's cosmetic lines. While women still account for most of the \$10 billion market, according to Diana K. Temple, an analyst with Salomon Brothers, Inc., the men's skin care market grew from less than \$20 million in 1983 to an estimated \$30 million in 1984.

Experts point out that men are staying single longer, facing stiffer competition in the business world, where looks do count, and being exposed to an increasing number of working women who are conscious of men's appearance.

"We're in a society where beauty and looks are so important—I mean if President Reagan had acne, didn't comb his hair and didn't look good, do you think America would have voted for him?" says Michael Glassman, vice president

of Jan Stuart Natural Skin Care for Men in New York. The firm, which features 13 lines of specialty fragrances, toiletries and treatments, is expected to gross \$12 million this year.

Michael R. Solomon, editor of the recent book Psychology of Fashion, predicts that once the resistance among men to being made up is broken, there will be a "snowball effect," particularly as midlife professionals concerned about being edged out by younger colleagues seek a competitive advantage.

"We've become a nation of image hypochondriacs," he says. "You're defined by your professional success, and so if you suffer setbacks in that aspect of your life, it's going to have a far greater impact than if it's your tennis game."

Annette Kornblum is a Washington free-lance writer who specializes in business and health topics.

Male customers turn to Linda Meliani, a Washington makeup expert, to improve their careers by enhancing their looks. A businessman gets his eyebrows reshaped.



NATION'S BUSINESS · MAY 1985

A Hard Look at Accounting Software

By Sheldon Needle



An antiquated pencil and paper accounting system can severely handicap a business that is facing competitors whose computerized systems warn them when things are beginning to happen.

Many businesses, both small and large, have found the computer to be indispensable for functions like word processing and data management. Aside from those basic office tasks, computers are also particularly well suited to helping managers control the assets of the business, using transaction-oriented systems like accounts payable, inventory control, order processing and accounts receivable.

But just because everyone else seems to be buying a computer does not mean it is a good investment for you. If you are having problems with internal control because of a disorganized office, do not expect that a computer will straighten out the mess. It will only make things worse, because computers require adherence to strict procedures. An office with poor internal control cannot be expected to adapt.

SHELDON NEEDLE is president of Computer Training Services, a Rockville, Md., firm specializing in seminars, consulting and training for microcomputer accounting software. He is the author of the book A Guide to Accounting Software for Microcomputers.

A complete change in organizational structure and operations was required by the owners of one insurance agency before they purchased a computer. They could benefit from an in-house computer, but they first had to hire an office manager and restructure their entire organization. Then they brought in the new system, and their installation was a success.

If you think you need a computerized accounting system, ask yourself in very specific terms what problems you expect the computer to solve for you. User surveys indicate that half of all microcomputers purchased are either vastly underused or not used at all. A book distributor, who bought a system to automate the billing of 100 customers and keep a simple set of accounting records, saved about 20 clerical hours per month. But that did not justify the \$7,000 cost of hardware, software and retraining.

On the other hand, there are cases of computer installations so effective that the investments were paid for within a few months.

Computer acquisition is an investment, and costs should be measured carefully against benefits. On one side you have the cost of the hardware and software (whether an initial outlay or lease), On the other side is the benefit to the business' productivity. If most of your business assets are in inventories or accounts receivable, it is fairly easy to quantify the benefits to the firm. Estimate the improved turnover you will experience. An improvement of 35-40 percent in the ratio of sales to average inventory and sales to average accounts receivable is not unusual with a new system. Greater sales with the same amount of inventory or receivables mean less need for financing, and thus lower interest charges.

It is more difficult to justify a new computer when yours is a service business or nonprofit organization. In that case, decide the value of more complete and timely data for making management decisions and expanding your client base.

Trying to buy a computer without written requirements is like trying to run a business without a plan. You are likely to wind up with whatever comes along first, instead of hardware and software that is exactly matched to your needs. Smart computer buyers know that they find the software they need first, and then worry about the hardware.

FIRST, YOU need a thorough analysis of current operations and paper flow. You have to understand your old system so that a computer vendor can construct a system that will match your business needs.

Second, what critical variables must be controlled now and in the future? If yours is like most growing businesses, your needs are continually changing. Will the new system support all current and future business activities? For example, if you are now selling a product, and you plan to go into servicing that product, at some point you may need special functions in the accounts receivable system for contract service businesses

Third, what resources are available to operate the new system? Some systems almost require a full-time data processing manager, while others can be run by a part-time bookkeeper. Be sure your company will have the resources to manage your system.

The list of requirements should contain at least a description of the type of business, daily paper flow, transaction volumes, any special accounting functions, security and control needs (who has access to what operations) and considerations that will affect hardware, such as number of simultaneous users and future expansion.

Now that you have done your homework and analyzed your requirements, evaluating software is much easier. Are there similar businesses using the software in your area? You may want to discuss their experiences with them. Read some of the documentation that comes with the software. Do you understand it? Can you find topics easily in the table of contents?

You want to see whether the software is "user friendly," that is, comfortable for you. Get a live demonstration and sit at the keyboard.

What happens when you enter data

incorrectly and want to correct it? Is this process easy or complex? Most important, does the software have the features you need for your business? Take a real problem or transaction from your business to the demonstration. Do not be entranced by features you do not need. The more features a system has, the more time it takes to learn and the more complicated it will be to operate. These are ongoing hidden costs.

C HECK OUT the financial viability of the software vendor. How long has the company been in business? How many user installations does it have? You want to deal with a firm that will be around next year, so that its software will be properly supported and continuously enhanced. A good sign is when there is a local marketing and support representative in your area. This means you always have a warm body to talk to if a problem arises.

When shopping for a system, do not be afraid to haggle over price. The market is very competitive, and you may save yourself 10 or 15 percent by bargaining. The contract itself will always be written to benefit the vendor. You have every right to put in special stipulations as to performance of the hardware and software: that the system support a certain number of invoice transactions per day, for example, or that it be able to prepare a particular kind of financial report.

You also may be able to get more from a software vendor by being the first installation in a particular industry. An association was able to get a general accounting package modified to its specific needs without programing charges because the vendor wanted to establish a position in what was for him a new market.

How much should you expect to spend for a system? If yours is a very small business and needs only a simple bookkeeping system, you may have to spend \$3,000-\$4,000 for a complete system. But for the average small business (under \$3 million in annual sales), expect to spend about \$5,000-\$8,000 for the computer, printer and all software. The cost to a medium-sized corporation (\$3 million to \$25 million) needing several terminals, a fully integrated accounting package (accounts receivable, accounts payable, inventory control, etc.) and a hard disk can run \$10,000 to \$35,000, or more.



To order reprints of this article, see page 73.

Putting Your New Toy To Work

Now that you have finally made your choice, you can relax a bit and watch the new system do wonderful things for your business. Right? Unfortunately, no. Implementation can make or break your painstaking decision process.

All available resources have to be marshaled to allow for the installation of the new system while maintaining the old one. Do you want to modify the chart of accounts to get more detail from the system? How will you set up inventory codes to take advantage of the inventory management features? Be creative. Do not limit yourself to old ways of doing things.

The implementation plan accounts for each of the essential steps in the process of setting up the system and assigns personal responsibility and milestone dates for each phase. The major steps to installation are:

 Data collection (master file records, current balances and so on).

Setting up programs and data files on disk.

 Setting parameters and interfaces for system modules (accounts payable to general ledger, for example).



4. Loading data into the system.

It is not uncommon for firms to choose good software and never see it operate successfully. As in so many management matters, you can have a good program, but if you cannot get the cooperation and participation of staff to carry it out, it will never work.

Figure on two to four months to get the new accounting system running smoothly. This may mean spending money to hire temporaries or altering the office layout to create a good work environment around the system.

Clerical as well as middle management personnel must help set priorities. That means they must be introduced to the system early and given some voice in choosing it. If they are, they will be more willing to regard it as their own and to make it work. In fact, clerical and lower level management will be closer to your system and its problems, and will be able to work out solutions on their own, if they are enthusiastic.

Fear of a computer system is common when one has never been used before. If some of your employes who will be close to it are afraid it will cause them to be fired, or will replace them, they may actively seek to sabotage its installation.

No matter what system you select, proper planning is neccessary to get the most it has to offer. This means organizing and controlling the process of automation so that everyone understands the importance of his role and the benefits to the organization once the change is made.

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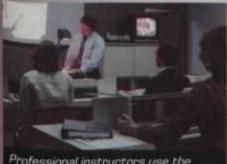
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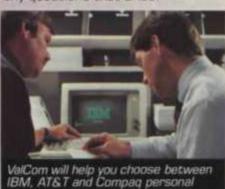
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IGH TECH BUSINESSES continue to gain increased representation in the ranks of the Small Business Persons of the Year chosen in the 50 states, Puerto Rico and the District of Columbia.

This year's winners include several owners of companies in such fields as computerized design, repair of cable television equipment, the manufacture of microwave-signal processing components and the production of electronic navigation systems.

State Small Business Persons of the Year are chosen by the Small Business Administration's district advisory coun-

The national winner and two runnersup are selected from the list of state winners by SBA Administrator James C. Sanders.

President Reagan will announce the selections during Small Business Week, May 5-11, and present awards to those honorees at a White House ceremony.

Here are the winners from the states, District of Columbia and Puerto Rico being considered for the top national

Alabama: Margaret A. Carpenter, president, Compos-It, Inc. (typogra-

phy), Montgomery.

Alaska: Ray G. Debenham, owner and president, Debenham Electric Supply Company, Inc. (electrical contractor supply), Anchorage.

Arizona: James R. Roden, president, Professional Chemicals Corporation (manufacturer of cleaning compounds

and equipment), Tempe.

Arkansas: John P. Price, president, Price Lumber Company, Monticello.

California: Ray Tom, president, The Copy Factory, Inc. (photocopying and printing service), San Francisco.

Colorado: Peter Robert Kornafel, president and chief executive officer, Hatch Grinding Company (wholesale distributor of automotive parts, supplies and equipment), Denver.

Connecticut: Vincent A. Amato, Amato's, Inc. (retail and wholesale toys

and hobbies), Middletown.

Delaware: John F. Mullins, Jr., president and owner, Brandywine Transmission Service, Inc. (automatic transmission repair service), Wilmington.

District of Columbia: Marion O. Greene, Jr., president, International Business Services, Inc. (management consulting, computer systems, design and programing).

Florido: Judith H. Kaplan, president, Action Packets, Inc. (distributor



The 1985 Honor Roll **Of Small Business**

of space-related merchandise), Ocala.

Georgia: Rufus Tindol, Tindol Services, Inc. (pest control and building cleaning), Atlanta.

Hawaii: Robert M. Fujimoto, president, HPM Building Supply (wholesale and retail building materials), Hilo.

Idaho: Carl Struthers, Carl's Cycle Sales (motorcycles, snowmobiles, lawn and garden sales and service), Boise.

Illinois: Jeanette Shapiro, president; Howard C. Shapiro, vice president, Howard Electronics (repair of electronic equipment for the cable television industry), Crystal Lake.

Indiana: Robert W. Haddad, president, Columbus Container, Inc. (manufacturer of corrugated shipping con-

tainers), Columbus. lowa: James E. Koerselman, president; Kenneth G. Mulder, vice president, Dethmers Manufacturing Company (manufacturer of farm equipment and recreational vehicle equipment). Boyden.

Kansas: Bruce F. Burdick, Burdick's Computer Stores, Inc., Overland Park.

Kentucky: Benjamin L. Bernstein, president, Bensons, Inc. (restaurant, excursion and boat entertainment and catering business), Southgate.

Louisiana: Bertha Charbonnet Pichon, owner, Pichon Catering Service, Inc., New Orleans.

Maine: Roger D. Hewson, president, Sabre Yachts (manufacturer of fiberglass sailboats), South Casco.

Maryland: Lawrence C. Abell, president, FEDCO Systems, Inc. (architectural planning and engineering services), Fort Washington.

Massachusetts: Alfred C. D'Alessandro, president, Aid-Pack, Inc. (manufacturer of liquid health and beauty



President Reagan and Vice President Bush take part in Small Business Week ceremonies annually at the White House.

Oklahoma: Jerry E. House and Roberta F. House, End O' Main Restaurant & Catering (restaurant and catering), Wantonga.

Oregon: Ray E. Morrow, Jr., president, II Morrow, Inc. (electronic navigation equipment manufacturer), Salem.

Pennsylvonio: L. Jack Bradt, chairman and chief executive officer, SI Handling Systems, Inc. (automated manufacturing and warehousing systems), Easton.

Rhode Island: James F. Morrill. president, Rhode Island Forging Steel, Inc. (steel producer), Rumford.

South Carolina: Fred H. Cross, chairman of the board, Florence Concrete Products (concrete products manufacturer), Florence.

South Dakota: Anthony W. Bour, executive vice president and chief operating officer, Starmark, Inc. (manufacturing of kitchen and bathroom cabinets), Sioux Falls.

Tennessee: Eugene C. Cheatham, III, president, Advanced Integrated Technology, Inc. (manufacturing and integration of computer hardware), Columbia.

Texas: Janie Anzaldua, owner, St. Mary's Sewing Industries (sewing garment manufacturer), Edcouch.

Utah: Vernon B. Carr, chairman of the board, Carr Printing Company, Bountiful.

Vermont: Louise Magram Weiner. executive vice president and chief executive officer, Magrams (retail department store), Burlington.

Virginia: R. Alan Fuentes, president, Computer Dynamics, Inc. (computer related services), Virginia Beach.

Washington: Manford McNeil, president, Romac Industries, Inc. (pipefitting manufacturer), Seattle.

West Virginia: Marshall T. Reynolds, Chapman Printing Company (commercial printing and business forms), Huntington.

Wisconsin: Theodore W. Batterman, president, Spacesaver Corporation (design, engineering, manufacturing and marketing of high density storage systems), Fort Atkinson.

Wyoming: John A. Proffit, treasurer and general manager, Unita Engineering and Surveying, Inc. (municipal and general civil engineering and surveving). Evanston.

Puerto Rico: Eric Torres, president and general manager, Kiddies Manufacturing, Inc. (development and manufacturing of amusement and recreational equipment), Rio Piedras.

aids and over-the-counter drugs in plastic containers), Gloucester.

Michigan: Patrick A. Thompson, President, Trans-Matic Manufacturing Company (metal stamping), Holland.

Minnesota: Rocco F. Altobelli, president, and Dianne M. Altobelli, vice president, Rocco Altobelli, Inc. (hair salons), St. Paul.

Mississippi: Randolph W. McLaughlin, president, Thermo-Kool/Mid-South Industries, Inc. (manufacturer of walkin coolers, freezers and refrigeration equipment), Laurel.

Missouri: Jerome "Jim" V. LaBarbera, chairman and chief executive officer, Engineered Air Systems, Inc. (manufacturer of military ground support equipment), Olivette.

Montana: John D. Duncan, president, Tele-Tech Corporation (design and manufacture of radio and microwave signal processing components), Boze-

Nebraska: Robert W. Allington, president and chairman, Instrumentation Specialties Company (manufacturer of chemical laboratory and water pollution control instruments), Lincoln.

Nevada: Jerry J. Leonard, president, Southern Nevada Movers, Inc. (moving and storage), North Las Ve-

New Hampshire: Raymond R. Boissoneau, president and owner, Electropac Company (manufacturer of printed circuit boards), Manchester.

New Jersey: Henry F. Henderson, Jr., president, H.F. Henderson Industries (manufacturing industrial scales and control panels), West Caldwell.

New Mexico: Harold C. Scott, president, Scott Air, Inc. (manufacturer of bus air conditioning and DC motors), Alamogordo.

New York: Anthony F. Vescio, Sr., Parmed Pharmaceuticals, Inc. (pharmaceutical sales), Niagara Falls.

North Carolina: Dorothy C. Noe, owner, Dorothy's Ruffled Originals, Inc. (national mail order company, manufacturing, retailing and wholesaling curtains), Wilmington.

North Dakota: Neil M. Hedahl, president, and Erling M. Hedahl, board chairman, Hedahls, Inc. (sale of automotive parts and equipment), Bis-

Ohio: Janet Makrauer, president and treasurer, Amko Plastics, Inc. (manufacturer of printed polyethylene handle bags), Cincinnati.



New Type of Export Loan



Export-Import Bank President William Draper defends ending direct federal loans for exports, in favor of interest subsidies.

THE COMPROMISE budget plan before Congress calls for elimination of the Export-Import Bank's \$3.4 billion direct loan program, but U.S. exporters are being offered an alternative.

Such loans have been used by American companies to counteract the practice under which other governments provide generous financing for exports, particularly those going to Third World countries.

Eximbank President William Draper, pressured to cut spending, is asking Congress to approve a new interestmatching scheme he calls I-Match. He wants to create a \$136 million fund that would replace direct federal loans by making up the difference between the interest charged on commercially obtained loans and recognized world interest rates used in exporting.

I-Match, Draper says, would "provide for up to \$1.8 billion of guarantees of private loans." He explained that it would work this way:

"Let's say that we decide to finance

\$10 million in U.S. services for engineering design work in Korea. Under the Organization for Economic Cooperation and Develarrangement lagreed to by major trading nations], the buyer has to make a 15 percent down payment. So, under our present direct lending program, we would go to the U.S. Treasury and borrow \$8.5 million and lend it to the Korean buyer at 10.7 percent interest. This is the consensus rate for five-year loans to the intermediate category of countries. The Treasury has to go into the market and borrow the money to lend to us, and this runs up the public debt.

"Under the new I-Match program, we don't go the Treasury. Instead, we find a private lending institution offering the best fixed-rate interest. We use that institution to fund the loan. Let's say they charge 12.5 percent interest. Of that 12.5 percent, the Korean buyer

would pay 10.7 percent. Eximbank would pay the other 1.8 percent under our program.

"By switching from borrowing and relending to buying down interest rates, we can contribute a \$3.4 billion savings toward the absolutely critical task of reducing the federal budget deficit. And we can still enable exporters to compete on equal financing terms."

Says James Hogue, publisher of the authoritative newsletter Eximbank Report: "That's the best deal Draper could get from the Office of Management and Budget," the driving force in budget cutting.

Yielding to exporters' pressure, the Senate Budget Committee voted to keep the present program but slashed its fiscal 1986 funding to \$1.25 billion.

Testifying before that panel, Stephen Sohn, president of Bankers Trust International Trading Corporation, said that elimination of the present program "would gravely impair the bank's ability to perform its central function, to offset the distorting effects of foreign government export support practices on the competitive position of U.S. firms in export markets."

sition of U.S. firms in export markets."

He added: "To assist in moving world conditions toward the ideal of nonsubsidized competition. U.S. institutions—including the Eximbank—must respond to reality. And reality is characterized by widespread foreign government credit subsidies and certain capital market imperfections.

"Foreign credit subsidies should not be permitted to deny American firms and workers the benefits of trading at our full export potential."

Draper says the business community does not yet understand his program. "It's a very satisfactory substitute for direct credit. We'll have a strong counterpunch for any foreign competitor trying to interfere with our markets."

Opposition To Protectionism

European and American business leaders, fearful that Common Market trade surpluses could touch off a trade war, have expressed opposition at a Washington conference to protectionist measures.

They also called for a new round of negotiations under the General Agreement on Tariffs and Trade.

The United States' merchandise trade balance with Western Europe deterio-

Yvon Gattaz and Arend Oetker (right) join U.S. business leaders in a transatlantic appeal for open markets.



rated to a record deficit of \$16.9 billion last year, as against a mere \$460 million in 1983. The conferees saw the dollar's record high value against European currencies as the culprit.

Protectionist responses to the deficit, like an import surcharge proposed in Congress, "could lead to retaliation and a trade war," said conference host Richard Lesher, president of the U.S. Chamber of Commerce.

Lesher: National Association of Manufacturers President Alexander Trowbridge; Yvon Gattaz, president of the French national employers association; and Arend Oetker, president of Schwartauer Werke, a food processing company, released a joint communique.

The conferees agreed that:

· Economic growth should be given high priority by government.

 Government fiscal and monetary policies should permit companies to manage their affairs with flexibility.

 Government rules must be reduced to make companies more competitive and labor markets more flexible.

· Public policies should emphasize incentives to increase savings, investment and productivity.

· Excessive exchange rate fluctuations disrupt trade and stall recovery Processes in heavily indebted nations.

· Excessive trade imbalances are a threat to free trade.

· Existing protectionism must be eliminated and the spread of new protectionist measures halted.

Rx for Unfair Trade: Import Surcharge?

A little protectionism might not be a bad thing, according to House Energy and Commerce Committee Chairman John Dingell (D-Mich.).

"What policies could halt the erosion of our industrial base that is threatened by unfair and illegal foreign trade practices?" he asked in an appearance at the Chamber's International Forum.

Dingell told the breakfast group that one approach to address our massive trade deficit is an across-the-board im-Port surcharge. It is the functional equivalent of a currency devaluationand it raises revenue that could be used to reduce the federal deficit."

The President, Dingell said, already has the power to levy a surcharge in the event of a severe imbalance of payments, and "this would be strong medicine aimed directly at the high dollar."

Is that protectionism?

"Some of us," he said, "have been accused of being protectionist because we have insisted that free trade be fair trade. We were told that if we sought to protect our basic industries from unfair foreign competition, American ex-Ports would be cut off in retaliation.

Well, the free trade ideologues have had their way, and the export markets for agricultural implements, petrochemicals, machine tools and other goods have dried up-largely because of protectionist measures abroad.

"We might accept that the Japanese are very efficient. But by the definition of comparative advantage, a nation can't have a comparative advantage in everything."

International **Business Advocates**

American business people are reaching out to their brethren in the Third World in ways that could help them better cope with overbearing governments. The new U.S. Center for International Private Enterprise is finding practical applications for the principle that business flourishes best in an open

Funded by the government, under a Reagan administration initiative, the \$1.3 million program has the bipartisan support of House Foreign Affairs Committee Chairman Dante Fascell (D-Fla.) and former Senate Foreign Relations Committee Chairman Charles Percy (R-III.). It is working to strengthen business networks across national borders.

CIPE Executive Director Michael Samuels, reporting on the group's first year of operation, says, "The reaction has been encouraging. Chambers of commerce and other business organizations abroad have embraced the CIPE concept with enthusiasm. It is emerging as a focal point for private enterprise solutions to public policy issues." The report adds:

"Network building is important to communications efforts. In much of the developing world, the statist and Communist opinion leaders hold sway simply because advocates of a democratic alternative are not aware of the support available in their own countries or within their region. CIPE's efforts will serve to put individuals sharing our values in touch with each other and, thereby, create a viable platform of business

Ongoing projects include management seminar scholarships, international software development for small business organizations, clearinghouse research to create a data base on business activities and conferences to show companies how to influence govern-

-Henry Eason





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Filling In The Outline

Founding a company that manufactures display frames for exhibits at trade shows-that is not the sort of thing you would automatically expect from men with the backgrounds of David Shepard Burr and David L. Gilvar.

Burr, 48, is an urbane New Yorker comfortably ensconced in the jet-set world, hobnobbing with glittering personalities and corporate movers; the man whose job at Frank B. Hall & Company, a prestigious insurance brokerage firm, "was to make connections at the highest levels in major corpora-

Gilvar, 43, a native Bostonian and born entrepreneur, set out for graduate school at the University of Stockholm in 1965-"English was spoken there, and the school had socialized education; all I had to pay for was room and board"-and ended up launching a student discotheque. It was so successful that eventually he opened up two posh Stockholm supper clubs and discoDavid Gilvar (left) and David Burr; a constructive partnership on display.

theques rivaling New York's Regine's and London's Anna-

Both men were at the top in their respective careers, yet they felt dissatisfied. Burr was bored and seeking a creative and financial challenge. Gilvar, married and with two children, was unhappy with a business that demanded he work until 4 a.m., felt that the Swedish tax system left a lot to be desired, and, after 14 years in Sweden, missed the United States even though he vacationed there every year.

The idea that brought the two together came from an acquaintance of Gilvar's, a Swedish art director who disliked traveling to trade shows to set up bulky, heavy exhibits that required complex assembly. Why not, instead, a one-piece, lightweight, portable modular display system that could be easily transported and put together by one person?

Gilvar was sold. He created a series of units composed of individual panels that connect with double acting hinges, allowing for maximum flexibility and a multitude of configurations, and named the system Outline.

After reaching a financial agreement with the originator of the concept, Gilvar returned to Boston in 1979 and incorporated a new company named after the product, made patent searches and applications in several countries and developed a prototype unit.

He needed clients, and a mutual friend arranged a meeting between himself and Burr. Burr had the corporate contacts, knew the right people, had promotional savvy.

The two clicked instantly, and Burr was so taken with Outline's potential that he dropped another fledgling enterprise he was interested in and went into partnership with Gilvar in 1980, as president of Outline.

It has been a good match. Gilvar, who is chairman, says: "We get along very well. I'm impatient; David's patient. At times, he'll slow me down. At others, I'll speed him up." Gilvar's office is at corporate headquarters in Walpole, Mass.; Burr is in New York.

The company went from sales of \$270,000 in the first year to more than \$10 million in 1984—"like a snowball zooming downhill," says Burr.

It now has 160 employes, offices and showrooms in eight cities, and an additional five regional and two satellite offices in major market areas. In the Boston area are a manufacturing facility and a color-processing lab complete with a graphics department that designs displays for 75 percent of client systems.

Graphics is where Outline differs from other competitors that manufacture and sell display systems. When the company started, it sold only the frames, not the design for the displays. But when customers began requesting design assistance, the company hired an art director. There is now a creative director in each showroom and a corporate design staff. The addition of a color reproduction plant means high quality visuals, greater schedule control and substantial cost savings for customers,

according to Gilvar. Small firms want Outline generally for trade show exhibits, large companies for its multipurpose uses achieved just by changing the graphics and rearranging the system's shape. More than 300 corporations are Outline clients.

The five standard systems are lightweight-from 20 to 43 pounds. An average eight-panel unit costs under \$1,000, says Gilvar. Graphic treatment prices coincide roughly with the value of the hardware. Mini-unit hardware frames. half the size of normal eight-foot units. cost \$400.

Burr attributes Outline's meteoric rise to "attitude."

"David and I are not hung up on trying to be all things to all people and expert in all areas," he says. "We're also not afraid to take a chance or make mistakes. When we do, we're willing to admit it, back off and try a different way."

-- Mary-Margaret Wantuck

Toying With Running A Conglomerate

Eight years ago Lane Nemeth started a little business in her garage in Martinez, Calif. This year she expects \$50 million in sales (up from \$35 million in 1984), she has her eye on other ventures, and she admits that she would not mind having her own conglomerate.

After her daughter, Tara, was born in 1975, Nemeth found herself increasingly frustrated that she could not find high-quality educational toys. She knew



they existed-she had been able to buy them from school supply houses when she was director of a day-care center. But such toys were not available to the

At first she thought she would open an educational toy store. But her husband, Edwin, suggested she imitate Tupperware and sell toys through home demonstrations.

She tried the approach with friends and found that it worked. With a pool of \$50,000 borrowed from friends and relatives, Discovery Toys was born.

"I never make the same mistake twice," says Nemeth, 38. But she has made some monstrous ones once. Her first year, she under-ordered, thinking sales would be \$100,000. She reached that mark in October, with Christmas sales still ahead. Orders poured in, and she had no inventory.

So she made the opposite mistake the next year, and found herself with \$100,000 worth of unsold toys after Christmas-and no cash. With suppliers knocking at her door for payment, she borrowed from a loan shark at 27.5 percent interest.

"I was too stupid to understand I couldn't possibly pay \$100,000 back at that interest, and by June I was dead broke again," she says. She did not know what venture capitalists were, but in midcrisis, one who was im-Pressed with her toys called and asked if she would like some money. "I said, 'Yes! Who are you?"

The small infusion of venture capital put Nemeth back on her feet, but Discovery Toys' success led to new prob-

One reason, she says, is that bankers, lawyers and computer salespeople did not believe her projections. Trying to be helpful, they would sell her less than she needed. "I had an accountant in the beginning who told me I didn't need to hire a high-powered bookkeeper, because what does a tiny little business need one for? I said, 'Well, I'm not going to be a tiny little business."

The toys are usually imported, but the company also designs and manufactures some of its products. One that Nemeth is especially pleased with is a mobile for infants. Most mobiles are made to look pretty to an adult standing by a crib. But Discovery Toys' "Face Mobile" is designed so that babies lying in bed can look up and see the pictures.

Discovery Toys' home office in Pleasant Hill, Calif., has a staff of 150, but throughout the country 9,800 independent "educational consultants"-so called because the company trains them in childhood development-sell the toys at home parties and to schools, day-care centers and even businesses.

Many make only a few thousand dollars a year working part-time. "But," says Nemeth, "we have women who are making \$150,000 a year-women who were teachers or dental hygienists. We've created careers for people."

Nemeth urges would-be entrepreneurs to take one of their ideas and try it. "The worst thing that can happen is it doesn't work. So what? You go on to the next. Really, you just take the first step and put one foot after the other, and suddenly you're there." With a \$50

-Sharon Nelton

lems-outgrowing computers one after million empire and growing. another, for example. Entrepreneur Lane Nemeth at the warehouse of her company, Discovery Toys. On her way to success, she never made the same mistake twice.



Larry Kirlan plans to lick the competition-in a warm climate.

Florida's Emperor Of Ice Cream

Larry Kirian had a habit he just couldn't lick. So, after moving his family from Ohio to Florida 31/2 years ago, Kirian did what anyone with his addiction would do: He started making his own. Ice cream, that is,

Friends in the ice cream business insisted that surveys showed "they don't eat ice cream in Florida." Kirian, an accountant and former wholesale food distributor, ignored their concern and opened his first Larry's Olde Fashioned Ice Cream Parlour with a total investment of \$125,000 and the help of two partners. He later bought them out.

Back then, his dream was to make an ice cream worth more than a lick, and to live where it did not snow.

"On my vacations I always try the other parlors' ice cream, but I almost never have more than a lick," Kirian says. "I just haven't found one that tastes as good as ours."

Today, Kirian, 42, dreams of owning his own jet and of being the biggest ice cream manufacturer in the Southeast.

The growth of Larry's Ice Cream has been phenomenal. Annual sales at the 77 parlors in Florida, Georgia and South Carolina average \$200,000 at each parlor.

Becoming an ice cream mogul was

not Kirian's idea; in fact, he says he initially resisted expanding for fear that growth would lead to an eventual decline in the quality of his product.

Before long, however, investors most of whom were customers—began approaching Kirian about buying a franchise. The idea hit, and now franchises are available for \$23,000 to investors who have been interviewed and approved by Kirian himself.

Kirian's desire to maintain quality and personal involvement in all facets of Larry's Ice Cream explains why company headquarters and production share a 5,000-square-foot building in Oldsmar, Fla., and will continue to be housed under the same roof when operations are moved to a larger site in Clearwater, Fla., in June.

"When we moved into this place last June, we thought we'd be set for five years," Kirian says of the single-story, laboratory-like site where an estimated 750,000 gallons of ice cream were turned out in 1984. "But after just six months, we were already crowded and had to lease an additional 2,000 square feet next door."

Company employes credit the rapid expansion and success to two things: Kirian himself and Kirian's ice cream.

"It's all Larry," says Judy Morin, the company's director of public relations. "You know he genuinely cares about you. And I also know that no matter how big he becomes, he'll never compromise his product."

And what a product. Kirian—who had never made ice cream before buying a 20-gallon freezer and hanging the
sign outside his first store—spent six
months just perfecting his vanilla.

After experimenting with vanilla extracts from Tahiti to Mexico, Kirjan finally settled on an extract from Madagascar that costs \$75 per gallon. At current rates of production, the 20-employe company uses between 12 and 20 gallons of the extract per week.

The vanilla is, however, just part of what makes Larry's Ice Cream special.

Kirian uses his "expert tastebuds"—he would drive 70 miles each way between his Toledo home and his favorite ice cream parlor in Jackson, Mich.—as his guide. He insists on adding ingredients like nuts and chocolate chips by hand to avoid breakage, and uses a high-butterfat-low-air formula that packs more content than the average into the 4½-ounce scoops served up for \$1.05.

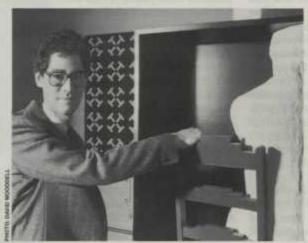
But the all-natural, high-quality ingredients count for just a portion of the rapid expansion. Marketing and promotions, as well as national recognition from ice cream experts, have hoisted the creamy confection into the consumer spotlight.

But when asked about expanding his franchises to the ice cream-loving Northeast, Kirian says no.

"It would just be an ego thing for me to go up there and compete with established chains," Kirian says. "Besides, I might have to go there when it's cold."

-Susan Biddle Jaffe

Electronic Wizardry For Old Masters



Art is in the eye of the beholder, in Barden Prisant's case, it is also in the bits and bytes of a computer.

In a last-ditch effort to save his failing business, a Cape Cod innkeeper decides to raise capital by selling some of the inn's paintings. He needs to know roughly how much he can get for them.

A major corporation buys a Norman Rockwell painting for \$250,000. When another company acquires the firm, the new owners want to have the artwork appraised.

In the subjective world of art, whom can you trust to give you a fair idea of a piece of art's value?

Try Telepraisal, of Roslyn, N.Y. Customers can call a toll-free number, describe a painting, print, drawing or sculpture and give the artist's name (if it is known). The Telepraisal operator then calls up on the computer screen a list of the artist's previous sales and gives the client a rough estimate of the artwork's worth.

"We don't make value estimates on specific pieces," explains Barden Prisant, 24, Telepraisal's founder. "It's not possible over the phone. We simply reel off the facts and give clients an idea of the art market and how a certain artist fits into it. Since we do not buy or sell art, we can be entirely objective."

A client seeking information on an artist-be he contemporary or an old

master—whose works have been exhibited and sold, can usually get it within 15 minutes. The fee is \$30, paid by credit card. If the computer finds an artist has not yet sold anything, Telepraisal will provide the client with as much biographical data on the artist as it has—what galleries may carry the artist's works, to what societies he belongs, where he has studied.

In addition, Telepraisal will be on the lookout for that artist for a year and, in the event that any of the artist's works sell, will send information on the sales to the client. All this for \$15.

Prisant says there are 600,000 paintings, graphics, watercolors, oils and sculpture by 60,000 artists logged in the computer. Biographical information is available on 300,000 more artists.

Telepraisal will also appraise artwork for insurance purposes, charging a \$40 fee. Clients must submit a photograph of the art along with a brief description.

The idea for Telepraisal came to Prisant during his senior year at Yale. "I liked the idea of being anywhere in the country, finding a piece of art that I'd like to

buy, going to a phone booth and calling up a central information source to get the facts," he says.

Telepraisal was born in October, 1982, with family money. A key-punch service was employed to feed the computer reams of auction house catalog listings. Prisant designed his own software program to manipulate this information. Toll-free telephone lines were installed and an ad placed in the Boston Globe. On the first day, 40 calls came in.

Prisant operates with a staff of four—a data entry person and three operators. It is his job to discuss the computer information with a client and how it relates to a particular piece.

His clients currently number around 4,000, many of them repeat customers. Most are people who have inherited a painting and do not know its value or those looking to sell a piece. Galleries and art dealers use Telepraisal to get an idea of what art is most popular at the moment, so they can channel buying efforts in that direction.

Prisant is now considering expanding into Europe. The company is already grossing six figures, Prisant says, and all he needs is 10 calls a day to turn a profit.

-Mary-Margaret Wantuck

Easter Compromise: A Cut in Time

Budget plan gathers support in new version.

By Peter A. Holmes

Gramm-Latta, 1981; the Gang of Seventeen, 1982; the D.O.A. Budget, 1983; the Rose Garden Strategy, 1984; the Easter Compromise, 1985.

HESE SOBRIQUETS chronicle the fiveyear tug-of-war between budgetbusters and deficit-busters for sway over the federal purse. This epic contest is now coming to a head. Soon the Senate, and later the House, will vote on the most ambitious cut in federal spending programs proposed since the aftermath of World War II.

The "Easter Compromise"-agreed to by Senate Republican leaders and the Reagan administration three days before Easter-is the centerpiece of the latest contrivance to halt what many say is a domestic spending spree set off by a quarter century of politicians' promises to special interests.

If enacted, the Easter Compromise is projected by the federal Office of Management and Budget to cut budget outlays \$52 billion next year and \$295 billion over the next three years. That would not blot out all the red ink, but merely cut deficits through 1988 from an estimated \$716 billion to \$420 billion.

Federal Reserve Board Chairman Paul A. Volcker says that the timing and magnitude of the proposed cuts are on target. If they are enacted, he says, Interest rates will be a percentage point lower than what they otherwise would be. Another benefit, adds Federal Reserve Governor Emmett Rice, Jr., would be the tendency for the dollar's value to fall against other currencies. That would make domestic products and services more competitive at home and abroad, relieving pressure for protection from foreign competition.

National consensus is rare. But business leaders, economists and the public at large are nearly unanimous on the issue of budget deficits and the hazards they pose both to the nation's continued prosperity and individuals' well-being.

According to a new national poll by Louis Harris and Associates, commis-



Citizens Against Waste President J.P. Bolduc commands the attention of citizen lobbyists petitioning congressmen to cut deficits, waste and inefficiency.

sioned by Sentry Insurance Company, 9 out of 10 Americans rate deficits as a serious national problem. A substantial majority believe that within the year deficits are likely to cause rising interest rates, higher inflation, more unemployment, less economic growth and, eventually, a recession. More than 80 percent say that cutting the deficit in half by 1988 is an important national objective.

The budget plan to be voted on in the Senate in the days ahead would more than accomplish that goal by slicing an estimated \$144 billion off 1988's projected deficit of \$244 billion.

ALL BUT ONE of the living ex-chairmen of the President's Council of Economic Advisers over the last quarter century-Democrats and Republicans alike-have recently endorsed tough measures to slash projected defi-

The U.S Chamber of Commerce and a host of other business groups and trade

associations have signed on in support of the Easter Compromise. The Chamber's executive committee endorsed the spending plan shortly before Chamber Chairman Van P. Smith and a group of business leaders conferred at the White House with Vice President George Bush.

"It is a program that shares the hardship and the contribution to deficit reduction among all parts of the economy," Smith says. Though the plan contains what he says are provisions "that business would not prefer," Smith says acceptance of each of the proposal's parts is necessary to prevent

it from being picked apart.

From Wall Street bankers to Main Street merchants, a broad cross section of American society endorses the view that politicians must now attack the problem of deficit spending with a resolve that pushes aside the protests being heard on Capitol Hill. Groups representing everyone from students and farmers to retired persons have been

NATION'S BUSINESS - MAY 1985

busy lobbying congressional offices for the past four months in an effort to block threatened changes in spending

programs.

The White House is openly enlisting business support in counterbalancing those special interests who have more at stake in perpetuating the status quo than in the broadly distributed benefits the economy gains from smaller budget deficits.

President Reagan is going all out to oppose his congressional foes, who until now have forestalled those earlier attempts at spending control. The oddsSenate and next month's showdown in the House of Representatives, President Reagan has asked the public to tell senators and representatives what they think about more government spending and higher taxes.

House Speaker Thomas P. O'Neill (D-Mass.) says he will not stand in the way of a House vote on a Senate-approved version of the budget. Thus the administration's hopes for winning depend on holding the support of Republican members and picking up enough Democrats to get a majority when the balloting occurs. Congressional aides say a



Some of these caucusing Senate Budget Committee Democrats may provide support to pass the compromise plan to cut deficits by \$295 billion over three years.

makers say that the outcome of this year's tug-of-war may hinge on how loudly and strongly the spectators root.

The first real test of Congress' resolve to slash deficit spending will occur during the 50 hours that Senate Majority Leader Robert J. Dole (R-Kans.) has set aside for debating the 20 to 30 amendments that opponents of the Easter Compromise are expected to offer. During that period, says White House Budget Director David A. Stockman, "the interest groups will be literally camped in the halls" of the six congressional office buildings.

Stockman has been softening up the President's opponents with tough talk. He says: "The fundamental economic future of the nation obligates its elected officials to now commit the act they instinctively resist-even loathe: Declare themselves on the basic fiscal choices in concise, unequivocal and pub-

lic terms.'

On the eve of the debate, Stockman told hundreds of company and association executives at the Chamber that the budget package, for which he was the administration's chief negotiator, "represents the last, best and the only chance to contract the permanent structure of federal spending" for many years to come.

In advance of this month's vote in the

House vote could come as early as the middle of May.

Should the administration lose that vote, there is still some prospect that spending will be cut. The GOP's leader in the House Budget Committee, Rep. Delbert L. Latta (R-Ohio), says he is encouraged by the professed desire of committee Chairman William H. Gray (D-Pa.) to cut \$50 billion from next year's budget. "If the chairman is sincere," Latta says, "we could put together something that gives us 218 votes"a House majority.

So far, though, progress on drafting a House Budget Committee bill has been slow-the first markup hearings did not get under way until Congress reconvened following its Easter break. And congressional aides note that Democrats are more than ready to let Republicans take heat from special inter-

est lobbyists.

But Latta-who helped engineer passage of the last serious effort to cut spending levels in 1981-says that what could emerge from the House Budget Committee may not slash enough from discretionary domestic spending. Amtrak subsidies, general revenue sharing, the Legal Services Corporation and urban development action grants are high on Latta's list of programs that should be dismantled.

While Congress struggles to sort out what is politically doable, and the cognoscenti debate the consequences of \$200 billion deficits far into the future, an incipient voter rebellion against government spending is spreading.

M ANIFESTATIONS of growing voter resentment against big spenders in Washington are seen in the letters arriving on senators' desks, many prompted by a U.S. Chamber of Commerce "action call" asking senators of all stripes to support the Easter Compromise.

And Citizens Against Waste, an ad hoc deficit-fighting group founded by columnist Jack Anderson and businessman J. Peter Grace, is collecting millions of signatures that will be presented to members of Congress later this

"The level of enthusiasm is absolutely incredible," says the group's president, J.P. Bolduc. More than 3 million petitions with room for 20 signatures have been distributed, and 800 calls a day are being handled by the organization's toll-free information number (1-800-USA-DEBT). One Chicago attorney contributed \$10,000. Other people are talking about endowing a permanent effort to fight deficit spending. Bolduc says that Citizens Against Waste could now use a couple of million dollars to pay for some high visibility advertising campaigns.

Citizens Against Waste is not alone in gathering signatures and letters as proof of popular support for stern congressional action to deal with deficit spending. Under the aegis of the usually behind-the-scenes Business Roundtable, many of the nation's 200 largest companies are organizing a public inter-

est lobbying campaign.

General Motors Corporation, Prudential Insurance Company of America and Union Pacific Corporation, to name but a few firms, are sending out thousands of response cards urging employes to write their representatives and senators and ask them to "halt the deficit." Says Robert A. Beck, Prudential's chairman and the campaign's organizer: "Our legislators need a mandate from the public to act now to reduce the deficit.... By providing our lawmakers with evidence of public concern about the deficit and support for immediate action, this program gives them that mandate.'

Union Pacific Vice President Richard Anthony notes that public indignation over the auto ignition interlock system in the early 1970s, withholding on interest and dividends three years ago, and recordkeeping for business use of automobiles this year forced Congress to bend to public pressure. Many business leaders hope the same indignation will

impress Congress now.

Perhaps the most impressive scheme to help Congress hear voices from beyond the Potomac River is a paid advertisement appearing in the May issue of Reader's Digest, a monthly magazine with 53 million readers—one in every four households and in all 435 congressional districts. Readers are asked to send the cards provided back to the publisher, who will sort them according to the congressional district in which the respondent lives. Then the Business Roundtable, which is footing the bill, will dump them on Capitol Hill.

It is a few minutes past noon, and a thousand or so members and guests of the Economic Club of Detroit have filled a Renaissance Center ballroom. They are there to hear Grace, who is chairman of W.R. Grace & Company, expound on waste and inefficiency in government. He knows the subject well, having made 107 such appearances last year while averaging two radio talk shows a week. He is outspoken. "If you are not getting anything out of one of the 963 social programs the government runs, you're a sucker," he tells his audience.

At 71, an age when many business executives are retired or thinking about it. Peter Grace has made a crusade of enactment of the 2,478 ways to save money identified in the 47-volume report of the President's Private Sector Survey on Cost Control. The hullabaloo that accompanied the report's release 16 months ago was tempered by potshots from congressional critics. But a recent General Accounting Office analysis supports the survey's "overall merits" in 75 percent of the issues studied.

Bolstered by that new report and armed with a fresh commitment from the White House to implement the commission's recommendations, when possible, Grace says he will keep up his attack on government waste and inefficiency. "If I go for something, I go all out," he says.

But some House members evidently have more of a stomach for raising taxes than cutting waste. The House Democratic caucus is getting behind a proposal to levy a 25 percent minimum tax on corporations and on individuals earning over \$100,000 annually. Sponsors say the plan would raise \$15 billion in new revenues next year. They say it is a question of "fairness."

Other potential tax levies lawmakers are bandying about include a 10-cent-agallon hike in federal gasoline taxes and a 10 percent cut in income tax preferences—credits, deductions and the like. The latter measure could raise \$37 billion next year.

The Reagan administration, however, says a minimum tax is not needed if Congress goes along with its proposals to substitute most tax deductions, credits and other allowances for lower tax rates. As for the other proposals, the White House says they are tax hikes in disguise. As such, they are levies that the President would veto.

Senate Budget Committee Chairman Pete V. Domenici (R-N.M.) offers hope that after the final roll call, fiscal policy will be on a better footing than at the start of the contest. His reasoning is this:

"Failure to act responsibly will cause very serious problems. That's something we all recognize. No special interest is as important as the general interest we all have in keeping the economy healthy."

After the Senate and House have agreed to the spending targets set this month and next, a dozen or so congressional committees responsible for bringing policy in line with the proffered totals must agree, too. The whole process will be repeated in September when policies must be reconciled with a second set of spending targets—a complicated and time-consuming ordeal. Fiscal conservatives hope Citizens Against Waste and others of like mind won't be disappointed in the outcome.



When Writing Has Your People Cornered

Memos and reports will improve when employes know what you really want.

EXECUTIVES all over the country are actively concerned about improving the quality of their staffs' writing. The costs of ineffective writing, they generally agree, are enormous.

Companies are discovering how to cut those costs with several steps that you can follow. First, understand the real writing problems of your professional staff. Second, establish an editorial process to help overcome them and encourage every level of management to actively support it.

The real writing problems of your people usually are not what you think they are. This is particularly true if you are among those who see writing problems only as wordiness and errors in

grammar.

Here is a familiar scenario performed

frequently in offices.

A midlevel manager is assigned to write a project report, given the files and a deadline, and left to produce it. A day before the due date, he or she suits up for a 16- to 20-hour writing marathon. The last four hours, against the wall, bleary-eyed and numb, the writer frantically cuts and pastes. When executives up the line review the report, they return it marked, "Rewrite this." The writer, frustrated and worried, walks around muttering to friends, "I don't know what they want" or "I hate to write" or "I'm an engineer, not a wordsmith" or all of the above.

This scenario illustrates the two elements I have found to be at the heart of much disorganized and ineffective managerial writing—lack of planning and fear of writing. The two fuel each other, resulting in reluctance to approach a writing task until the last minute.

In a study of almost 300 midlevel and top executives and managers in high tech corporations and government agencies, I discovered that they—and presumably others like them—do not realize the value of planning a document before writing the first draft. The few who think they should plan lack a method or system.

Planning is such an integral part of management and has proven so necessary to the success of an enterprise

Pearl G. Aldrich, author of How To Plan and Organize Your Writing (Research Enterprises Publications, Washington), is an Alexandria, Va., writing consultant. By Pearl G. Aldrich

that it is astonishing to hear executives say, in office after office, "Oh, I never plan those things." These same people would never face an oral presentation without planning it, but they do not plan their written presentations. Lack of planning is a real writing problem.

So is fear of writing or, as it is labeled in the research that has grown quite large in the past 20 years, "writ-

ing anxiety."

Most people do not say, "I have writing anxiety" as they would say, "I have a cold." In fact, most people do not know they have it, and they attribute their problems to other causes.

A manager in a telecommunications firm blamed "an uptight boss" for his writing problems and nearly changed his career path until, by coaching him, I was able to help him understand that his real problem was a bad case of writing anxiety. One oil company executive thought his writing difficulties were the result of dyslexia, a reading disorder, and that his career was doomed. In fact, he didn't have dyslexia at all—just writing anxiety.

Most cases are milder.

Take Joe. His boss, the comptroller of one of the new long distance telephone companies, says, "This guy is a really talented accountant, so I appointed him liaison with the Internal Revenue Service. But just try to get his reports! We need them right away, but he takes weeks, then asks for more time. Talent or no talent, I may have to put him on routine jobs."

Joe returns from his meetings with the IRS laden with masses of data and says, hopelessly, "I don't know where to start." That is the description of writing difficulties that I hear more than all others put together, and it signals the no planning/writing anxiety syndrome. A variation is "I can't get a handle on this stuff," followed by "I don't know what they want."

Anxiety increases when people feel "I don't know what they [their bosses] want." Many report having to guess what is wanted because they are not given adequate instructions. When guessing does not pay off, and the document comes back with the standard "Rewrite this," the writer still does not know what "they" want.

The first step in turning this and similar situations around is to establish an editorial process for planning major documents. This will break the writing task into several steps, tell the writer what "they" want and help him or her get started. Once most people have this guidance, their writing anxiety drains away, and they are able to make effective use of what they already know about writing.

Ask your subordinates to adopt the following planning process, answering four questions before writing a first draft. This can be done in a conference between you and the writer, in a meeting involving the writer and two or three upper level executives who will review the document, or as part of a team approach to a long, complex document like a proposal, manual or technical report.

1. What is your purpose in writing this document?

When you identify the purpose for a document, you focus your mind and eliminate distracting ideas. The next step is to shift your attention to your reader and answer the second question.

2. What action do you want the reader to take?

Although your purpose and the action you want are intimately related, they are not the same. For example, if your purpose is to inform, you want your reader to act in some way upon that information. If you do not state clearly what you want your readers to do, they will do nothing.

3. What are your readers' general characteristics?

You usually know who your readers are when you know a particular piece of writing is needed. Most people have this kind of general information to draw from. It tells you what vocabulary to use and provides the answer to the fourth question, which determines the main thrust of your document.

4. What is the most important piece of information this audience needs to know first in order to respond?

This editorial process helps everyone think out a document before the first draft is written. Everyone will know what "they" want, because "they" contribute to the process.

All will be able to face the writing itself with greater confidence and produce higher quality documents.

Who's in Charge Here?

For many firms, results are best when the answer is "everybody."

By Harry Bacas

M ANY OF TODAY'S successful managers are developing new styles to meet the changing conditions of business.

The A.E. Staley Company operates an automated food processing plant in Lafayette, Ind., virtually without managers. The plant's 265 employes work in small teams with leaders of their own choosing; they make their own work assignments and do their own hiring and firing.

The Diamond Fiber Products plant in Palmer, Mass., recently changed owners. Some managers were let go, but the employes' "100 Club" to recognize good work was kept. Bankers who financed the purchase said the club was essential to the plant's future.

When Abbott Laboratories joined the national search last year for a blood test to spot the deadly AIDS virus, it set up a small team of scientists in an autonomous "skunk works" at its cam-

pus north of Chicago. The team solved the problem in record time.

Don Hewitt, producer of the top-rated "60 Minutes" television news show in New York, is so committed to conversational, face-to-face management that he never sends anyone a memo and refuses to attend meetings.

These four business operations are vastly different. But all employ varieties of what is called participative management. In local businesses and multinational companies, in factories and in services, managers in search of quality and productivity are increasingly finding ways to involve employes in company goals and in decisions.

The trend represents a major break with the past. Managers of businesses of all types and sizes are becoming increasingly aware of it, and many will

feel its impact soon.

"This movement away from hierarchical and authoritarian management atructures to some form of participative management has all the characteristics of a firestorm," says the respected business quarterly National Productivity Review.

Management consultant Jeffrey Hallett says the trend will continue. Competitive success, he says, will go to "companies whose people are so fired up by what they are doing that they



James Simpson, president of Qume Corporation, a San Jose, Calif., computer peripherals manufacturer, tells employes "we need absolute dedication to teamwork."

give their very best. The new management skills will be those which build spirit, enthusiasm and trust rather than technique and method. Ways will have to be found to make everyone in the organization believe that they are the organization."

RONALD PILENZO, president of the American Society for Personnel Administration, says: "For 75 years we have trained managers to be autocrats—to direct, to control, to motivate, to plan.

"Now we have a tremendous task ahead of us in retraining management to be more like consultants to their work force. This is because the workers of today are different. They have more education, are more self-directed or want to be, and want to control their working conditions. This requires a more participatory or nondirective approach for the manager who wants to get results."

The A.E. Staley agriproducts corporation began an experiment in "self-management" at its Lafayette, Ind., plant nine years ago. The plant employs

salaried technicians using computercontrolled machinery to convert corn into high-fructose syrup.

Employes are divided into 16 teams of about 15 persons each, according to functions—production, maintenance and quality control—and according to shifts. Each team chooses two leaders from its ranks, one of them task-oriented, the other in charge of training, discussion and records. The teams make their own work assignments within the plant's overall schedules, and have a voice in hiring, promotion and discipline of team members.

James Sullivan, personnel manager at the plant then, says it is a "socialtechnical system; it has shaped a managerial style to the technology."

The plant operates 365 days a year. The employes work three 12-hour days, take three days off and then work three pights

It was three years before production at the plant began to justify the experiment. Since then, productivity has risen to extraordinary heights. Operating costs are below those of other plants, absenteeism and turnover are under 1 percent, downtime in a 24hour workday is less than 1 percent, and production runs at 115 percent of engineering specifications.

Sullivan, now corporate human relations director, says the idea was "to push the ideology of management down to the operators themselves. The work is challenging, and the operators must make important decisions."

He admits that "people and plants have moods. and some days here are more energized than others." But he says giving people "so much voice in their own lives" has paid off.

One day something in the refinery process went wrong. The plant operations manager looked out at the refinery team members gathered at their machine and said, "It's like having 15 foremen out there trying to solve the problem"-and they did.

In a difficult disciplinary case, another team had struggled repeatedly to straighten out a team member who had failed to

meet standards. Finally management decided to fire him for misconduct, and he was turned down by the local unemployment office for benefits because of the disciplinary discharge. At his appeals hearing, nine plant workers appeared to support the company posi-

In Palmer, Mass., Robert E. Arnold and Daniel Boyle recently completed an



Robert Arnold, president of Diamond Fiber Products, which makes egg cartons, found a way to recognize good performance.

\$8 million leveraged buyout of the Diamond Fiber Products Company, which manufactures egg cartons from pulp. The two had been manager and personnel director of the plant. "We changed a few management people," says Arnold. "They were O.K. when we were part of Diamond International and had experts on the left and the right of us, but when we began a stand-alone oper-



Howard Adams of Custom Van of Utah says dealing with talented employes is like dealing with talented players, as he once did on a pro basketball team.

ation, they were short on expertise.

One thing the new owners did not change was the plant's three-year-old "100 Club," under which the 307 unionized employes win points and prizes for good attendance, safety records and production ideas. The club has been so successful in improving morale and efficiency that the Federal Mediation and Conciliation Service funded a project to copy it in other plants.

"In the past we had a good system for kicking people in the pants," explains Arnold, "We wanted to do something for the people who were doing a

good job." His partner, Boyle, says the idea was born when "one day we realized we had 14 grievances at the fourth stage. We were spending most of our time on people whose work negatively impacted our operation. And 11 of those cases were just peeves of the kind you get when you don't have a good relationship between manage-

ment and employes.

"We recognized that we were neglecting the 97 percent of the work force that was doing a good job."

In the club's first year, the plant saved a net \$1.6 million, Boyle says, through a 3.4 percent increase in productivity, a 73 percent reduction in grievances and a reduction of 400 days in time lost for accidents. The company's cost was \$15,000 in jackets, patches, dinners for two, overnights at a hotel and small appliances.

Boyle adds: "When management said, in effect, 'We know we've taken you for granted for a long time, and we're not going to do it anymore,' it shocked them. It released a lot of frustration that then was channeled into

greater productivity.

"We said we wanted to make them more a part of operations. We shared financial information. We told them that when an employe came in late it cost the company \$50, while a machine down for a minute cost \$16. We told them about our competition, that our small company was a David trying to survive against the Goliaths.'

Last year, the employes, who have always had a union contract, voted to forgo a scheduled raise after the company said it would endanger the plant's competitive position. What do the employes think of their bosses? Boyle says, "I hope they will say that we're tough and demanding and fair.'

From Diamond Fiber's 19th century brick building on the Ware River in Massachusetts to the green 44-acre campus of Abbott Laboratories in Abbott Park, Ill., is a long journey. But Robert A. Schoellhorn, chairman and chief executive officer of the \$3.1 billion worldwide health care products company, is saying many of the same things.

"People like to work here, and therefore they do a damn good job," Schoellhorn says. "We continually try to find ways to manage for innovation. We try to keep the work interesting and re-

warding.

As for himself, "I delegate, but I'm hands-on. I try to learn all I can, but I respect the opinions of other people, and I let them run their own business.

Since Schoellhorn came to Abbott a little over 10 years ago, the company has gone from 20th place to first in production of diagnostic materials and equipment. This spring, Health and Human Services Secretary Margaret Heckler announced that Abbott was the first company to be licensed to produce a blood test for the AIDS virus. When Schoellhorn went to Washington for the press conference, he took with him the five young scientists who had Worked long days and into the night on the project. In four months, working on their own, they had accomplished what they said normally would have taken 21/2 years.

Abbott regularly uses such "dedicated groups" to develop specific products, but the national attention focused on the AIDS search made it special. The "skunk works" concept, as such creative units are called, admittedly was "stolen" from International Business Machines Corporation. IBM, a highly centralized company, used the same strategy when it decided to develop its first personal computer. It set up a team, far from corporate headquarters and staff supervision, to make independent decisions in developing the design.

Although Abbott's business is research-intensive, Schoellhorn says the researchers "are very productivity conscious; they set priorities." For the past five years sales per employe, excluding Price increases, have risen an average of 7 percent per year.

T IS ANOTHER big jump from Abbott's laboratory atmosphere to the hectic offices of a television news show in New York, where Don Hewitt, producer of "60 Minutes," has presided for 17

"Our success is directly due to our atyle," Hewitt says. He is always talk-ing to his performers. "One minute Mike Wallace sticks his head in my door and says, 'Hey, I got this great idea while coming in on the airplane,' and

Bethlehem Steel's Benjamin Boylston: Better relations on the shop floor.

then I run into Ed Bradley out in the hall, and we start talking about the story he is working on. That's how we get things done.

"We generate a lot of psychic energy

around here, and we transmit that energy over the television screen. If I held meetings and wrote memos, '60 Minutes' would look like a meeting and sound like a memo."

Hewitt is more outspoken than others. "I remember a guy who was a big executive at CBS for about one year, he says. "He was so closemouthed that people said if he was on a witness stand and was asked if he was going to tell the truth, the whole truth and nothing but the truth, he would reply, 'Can I get back to you on that?"

Wallace has felt Hewitt's criticism as well as his praise, but he says he thinks of Hewitt "more as a colleague than as a boss. He's always asking, 'What do you think?' and he listens to you. He welcomes and acknowledges criticism from below. He keeps this place a happy shop. That's one reason we have had

so little turnover."

Mark Silber, an industrial psychologist who teaches at United States International University in San Diego, says managers have to be capable of "tough

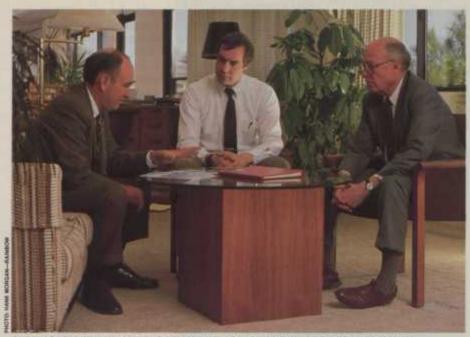
Silber says they need "compassion for individuals mixed with an ability to set tough deadlines for those who work with them and to be specific about goals they expect everyone to carry

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NATION'S BUSINESS . MAY 1985



James Swiggett, president, Jack Walnes, vice president, and Robert Swiggett, board chairman, of Kollmorgen Corporation, believe in "openness and trust."

out." He says people can accept authoritative direction from a manager who they believe is "sincere, authentic, real and open with them."

Howard Adams, a former professional basketball coach and trainer, is president of Custom Van of Utah in Salt Lake City. The company's three divisions, which install auto sound systems and air conditioning as well as customize vans, employ 70 persons. He says his management philosophy came out of his experience in athletics.

"I don't believe in bosses and work-

ers," Adams says. "I believe in areas of responsibility. If my area is to dictate policy, that's what I do. Here, just like in professional team sports, you're dealing with talented people and you've got to be up front with them. Tell them what you expect and let them know when they meet expectations and when they don't."

Adams says discipline, dealing with employes whose performance is wanting, "has to be on an individual basis and on a daily basis. I probably hear the other person's side too clearly and sympathize too much. But it's like raising children. Just because you love them, you don't have to let them pick up everything they're not supposed to."

Discipline is often a concern of managements that consider adopting a more participative style. Performance Systems, a Dallas consulting firm, offers a method it calls "positive discipline" as an alternative to traditional punitive discipline.

Alan W. Bryant, Jr., an official of General Electric Company, which uses the system in some plants, says, "Employes who are disciplined in a punitive way rarely build true commitment to their jobs or feel better about their supervisor or company as a result."

Positive discipline relies on counselling and coaching the employe. An official of Martin Marietta Corporation,

Don Hewitt, producer of CBS News' "60 Minutes" show, discusses a story with reporter Mike Wallace.



which installed the system last year at one location, tells how it works:

The first step is a private discussion in which the supervisor explains why the company needs to have certain kinds of behavior and tries to get the employe to agree to solve the problem himself.

If the problem continues, the second step is a conversation in which the supervisor seeks agreement on an action plan to solve the problem, a written summary is given the employe, and a copy is placed temporarily in his file.

If the problem persists, the employe is given a "decision making leave" of one day with pay. The reason for the pay is to demonstrate that the company really wants to help the employe solve the problem. The employe is told to return to work the next day with his mind made up "either to change and stay or quit and find more satisfying work elsewhere." If not, he will be discharged.

Eric Harvey, executive director of Performance Systems, says the theory is that managements today should be seeking "commitment rather than control." He says, "We need the kind of commitment from employes that they have in Japan, and to get it we must change the overall atmosphere within the organization."

THAT CONCERN with Japanese production efficiency runs through some of this country's largest companies. The same year that Diamond Fiber started its "100 Club" in a single plant, Bethlehem Steel Corporation launched an effort to "increase employe involvement in all phases of our business."

Such changes take longer in large companies, and today Bethlehem's program is advanced in some plants and just beginning in others. But, Chairman Donald H. Trautlein says, "at a time when foreign steel imports have been heavily against us, our labor-management participation efforts have helped keep our operations going."

Trautlein adds that "quality is up and costs are down; productivity is up and

grievances are down."

The program, similar to quality circles in other companies, started with training for key supervisors in human relations and team building at the American Productivity Center, a private training institution in Houston-Then there were in-plant workshops for front-line and middle level managers. Finally, labor-management teams were set up throughout selected plants to address particular operating problems.

In one place excess "scrappage" of material was a problem, so a team took that as its task and produced several innovative solutions. In other places the problem was product quality or production downtime. Benjamin C. Boylston.



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THE SMART MACHIN

Copyright 1985, Radar Technologies, Little Marvel is a trademark of Radar Technologies. Motorola and @ are registered frademarks of Motorola, Inc. Bethlehem assistant vice president of human relations, says the teams "have helped to improve relations on the shop floor between supervisors and employes."

It has taken a top-down change in corporate culture to get the participative process going, Boylston says, because until now Bethlehem has been a

very authoritarian company.

"People are really buying into the process now," he says. "And the managers at Bethlehem who are most successful are those who not only have professional competence but who are most participative, whose interpersonal skills help them develop teamwork."

Boylston thinks employe awareness of difficult conditions in the steel industry has assisted the process, "They know we have a common problem," he says.

Kollmorgen Corporation, a diversified technology company headquartered in Stamford, Conn., gives new employes a copy of its corporate philosophy, written by Chairman Robert L. Swiggett.

The four-page statement describes the company's history of setting up independent divisions with their own boards and presidents, its "free market environment for every individual in the company," its autonomous small units within divisions and its atmosphere in which leaders say "how can I help you?" rather than "do it this way."

Swiggett says his statement is a recruiting tool and a "basis for getting people to work hard and think hard

about their jobs."

The company, which has 16 plants in this country and Europe to manufacture printed circuit connectors, instrument motors and controls and electrooptical devices, has a goal of doubling sales and earnings every four years.

Swiggett believes the company's emphasis on "openness and trust" and its insistence on dealing with individuals rather than groups is not novel but is similar to the corporate cultures at companies like IBM, Hewlett-Packard and Eastman Kodak. "Kodak was already dealing with people that way when I was with them in 1943," he says. He thinks the philosophy may have gone out of style but is now coming back.

"Being open and truthful is our basic style, but we do it better in some places than others," Swiggett says. "Egos get in the way on occasion. And if you look you can find pockets of hardheaded tough guys in some places."

The company holds a dozen "culture sessions" a year for managers, and Swiggett takes part in most of them.

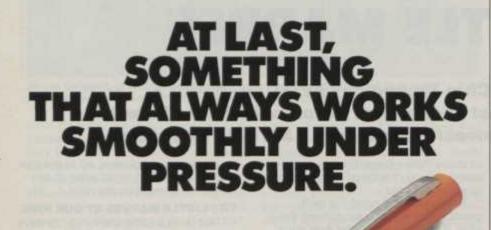
Swiggett thinks many people starting a business with a new idea are so wrapped up in the idea that they think, "I'll just hire some people to make it work." But they should be concentrating more on the people than on the idea, he says.

"I think success is based more on the quality of the people a business brings on board, and on the way it gets them involved and excited in what's going on, than on the quality of the business idea itself."

A similar management philosophy is expressed by William T. Ylvisaker, chairman and CEO of Gould, Inc. In the last three years, through acquisitions and divestitures, he has transformed Gould from an industrial conglomerate into a high technology electronics enterprise.

Ylvisaker has also transformed the company's style, loosening the tight corporate controls, reducing layers of management, slashing corporate staff and setting up separate boards for each of the company's four operating divisions. He offers financial backing to employe "intrapreneurs."

"Electronics is a creative business." Ylvisaker says. "You have to give people the freedom to innovate. Unlike the industrial business with heavy capital



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Socking It to the Old Style

A hosiery firm's "new system" challenges employes.

JUST BEFORE Christmas in 1982, Jim Thorneburg called the first companywide meeting in Thorneburg Hosiery Company's history and issued an ultimatum: Every employe had to be operating under what he called the "new system" in two years. He would go broke, if he had to, to bring about the change, but if they could not make it work, he would sell the company.

The problem was that things were going too well for the Statesville, N.C., firm. When it started manufacturing an innovative line of sports socks in 1980, sales jumped from \$800,000 to \$2.7 million in one year. As sales soared to more than \$5 million the following year, Thorneburg realized that the little company his parents had founded nearly three decades before "was growing faster than was healthy."

Thorneburg had invented the new line. Called Thor-Lo PADDS Foot Equipment, it consists of eight types of socks, each engineered for a different sport. Averaging \$6 a pair, they are the most expensive athletic socks made.

With the Thor-Lo line, Thorneburg believed his company could become a \$50 million company. Except for the fact that it was not ready to take on that kind of growth. He was concerned about whether his employes would care enough to produce socks of the quality and quantity he knew were needed.

Thorneburg, 48, decided to revamp the corporate culture. "We've got every reason to believe that we can go to a \$100 million or a \$200 million company," he said at the meeting. He wanted to build "a great company for people to work in." And down the road, he said, he envisioned sharing ownership of the company with its 140 employes.

But to make these things happen, he said, everybody—including himself—had to change. Under the new system, each employe would be held accountable for the quality and quantity of his own work. Thorneburg recalls saying, "The person that you work for is no longer responsible for your work. You are. Not your supervisor."

He predicted that the new system would be hardest on the company's 15 or so supervisors. In the past, they had been rewarded for exerting control and given credit when their subordinates were productive. Now he wanted them—and management—to become "servants to the worker."

"You are to teach, you are to coordinate, you are to move information to and from, you are to be a friend and counselor," he instructed them. "And when you do those things well, your people will produce." He said he would fire any supervisors who tried to make subordinates perform.

He offered \$500 "exit bonuses" to employes who felt they would be unhappy with the changes (there were two takers). He threatened to sell if the new system did not work, because if it did not, he no longer wanted to run the company. solutions. The immediate supervisors still conduct performance reviews, but they do not set goals—the quality circles do that.

Early last year, Thorneburg moved the company into a new \$1.8 million plant, aimed at increasing productivity and improving working conditions.

He saw some signs of change. Employes began to pay more attention to how they looked when they came to work. The mill was kept cleaner. Some workers with drug problems began



Jim Thorneburg helps workers find meaning in their jobs by telling them they are protecting feet, not making socks.

In the months that followed the Christmas meeting, quality circles were formed—not for the purpose of improving productivity or solving problems, Thorneburg says, but as a safe environment in which his employes, largely unskilled, could express their ideas without fear of ridicule and learn to cooperate with and trust one another. In addition, the quality circles were to be educational tools, involving employes in decisions about their work and helping them develop judgment.

SUPERVISORS, too, went through an educational process. Instead of ordering subordinates to do something, says company president Marietta Szmagaj, they learned to ask, and to offer an explanation of why a certain job had to be done. That way, the subordinate would understand and become more knowledgeable.

In handling discipline problems, supervisors began to take more time counseling and coaching an employe, rather than jumping quickly to punitive coming forward and asking for help. And some employes went back to get high school diplomas on their own time so they could participate more effectively in the quality circles.

Thorneburg's two years were up last December. He still owns the company, and he hasn't gone broke. Has the experiment met his expectations?

"Absolutely!" he responds. Sales have continued upward, reaching \$7.5 million last year (although he expects them to remain flat this year, noting his entire industry is "soft").

His all-important knitters group has achieved 99.3 percent "first quality" production (meaning goods of high enough quality to be sent on to the retailers), against an industry average of about 90 percent.

And Thorneburg says he is beginning to execute what he expects will be a high-cost marketing strategy for ThorLo PADDS. He would not do that, he says, "without having the confidence that I have in these people today."

-Sharon Nelton

investment and small margins of profit, you are creating new products all the time and creating new markets."

To meet the challenge of competing in world markets, Ylvisaker says, American businesses must "manage for innovation." That means "you give people the freedom to make decisions, you give them incentives, both financial and in recognition, and you let them know that if they don't make it this time, they're going to have new opportunities.

He says the same principles apply to a small business: "Give your people opportunities and responsibility.

At a company founded on high technology, Qume Corporation in San Jose, Calif., President James Simpson is equally devoted to a lean management structure.

"If you put in six layers, then senior management is too far away from operations," Simpson says, "Flatter structures have a specific object-to be more responsive to the customer. If you're going to be responsive, you'd better find out what the customer is thinking and you'd better get that message to top management."

Qume, which manufactures computer peripherals in Puerto Rico and Taiwan as well as in the United States, and is

now a division of ITT Corporation, has always been international-minded. But much of the surrounding high tech industry in Silicon Valley is "very insular," Simpson says. He believes one issue facing his industry is for "its management teams to become international businessmen and businesswom-

SIMPSON BELIEVES participative management has always been employed by successful companies and successful sports teams. "I can't think of any world class team in any world class sport where you don't get participation by all parties. Look at the San Francisco Forty-Niners this year or the Raiders last year or a world class soccer team. Each had a very specific direction, a very specific set of objectives, and everybody played a part-the coach, the quarterback and the person who came on to substitute in the last two minutes of the game.

"I don't think there ever has been a very successful company which did not have the same participation by all lev-

Simpson adds that "some participative companies appear to be an absolute democracy where everyone's voice is the same and everyone wears jeans and

sweatshirts, but look at IBM. It is one of the most participative companies in the world, and they all wear three-piece

Thomas R. Horton, who spent 27 years at IBM before assuming the presidency of the American Management Association, says one kind of participation is embodied in the practice of "management by wandering around." He calls it "roaming the ship" and admits that "you're going to find out more that way, going down into the boiler room and talking to the engineers.'

But, he cautions, "in a company with many levels and divisions, if you're hanging around the boiler room for too long, the first mate may have an emergency on the bridge, and he's going to wonder where the captain is."

Other ideas in "management cookbooks" or books on "how to do everything in one minute" make interesting reading, Horton says, "but they may not work for you." He says "fad management or management by imitation," if it isn't appropriate to his own situation, "can cost an executive his job."

Companies and managers, participative or not, must develop their own styles, he says. He contrasts the success of W.L. Gore Associates, manufacturer of fabric laminates and wire coatings, which is run "like a corporate democracy," with the way Lee Iacocca came in as chairman of the Chrysler Corporation, shook up the management of the floundering company and saved it from bankruptcy "by centralizing everything, an extreme case of centralization."

"There have always been a lot of management styles," Horton says, "because there is such an enormous diversity of ways to make money and diversity of personalities in business."

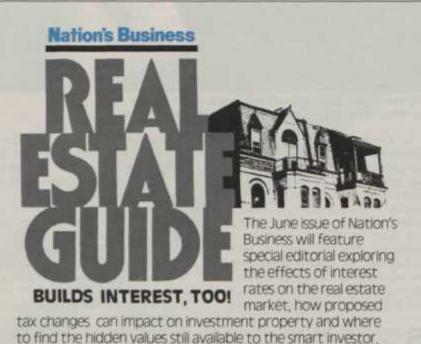
Horton says participative management, whatever a person's style, "makes it important that a manager be a people person. But he's also got to be results oriented."

Says the American Society for Personnel Administration's Pilenzo: "The CEO has to set the tone for the whole organization. He has to earn people's trust. He has to say, 'This is what I want to accomplish, and I need your cooperation to help me do this.' Some people have never managed that way, and it's hard to do.

"The manager becomes an adviser, a consultant to his work force. Then one day you may have to march in and announce, 'We haven't got time to discuss this, but we're going to do such-andsuch this way.' Period. And if you have earned your people's trust, they'll do it your way without question."



To order reprints of this article, see page 73.



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dren out there, maybe even your own, have trouble seeing. That's because one out of four young people under the age of 18—nearly 700,000 in all—has some sort of visual disorder.

What a shame. Most of these problems could have been corrected with early diagnosis and treatment. Or prevented in the first place.

The National Children's Eye Care Foundation is working to help children see better through medical, surgical and preventive care. Also, the Foundation supports research and training programs in the vital area of children's vision.

For further information, contact the National Children's Eye Care Foundation, 1101 Connecticut Avenue NW, Suite 700, Washington, DC 20036, (202) 857-1185.

National Children's Eye Care Foundation







Leaders in the fight for sound economic policies are (from left) U.S. Chamber of Commerce Vice Chairman Frank L. Morsani, Chairman Van P. Smith and President Richard L. Lesher.

Keeping America Growing

NE DAY LAST JUNE, Donald Regan walked to the U.S. Chamber of Commerce building from his office in Treasury Department headquarters, diagonally across Washington's Lafayette Park. His object: to lobby an organization that has achieved historic success at lobbying in recent years.

Regan—then Treasury Secretary and now, as the President's chief of staff, occupant of a White House office that is even closer to the Chamber buildingappeared before the Chamber's board of directors.

Proposed federal spending reductions were "meeting stiff resistance" on Capitol Hill, he said. He asked for help in founding up congressional support.

The request was a tribute to the Chamber's clout as the leading representative of a U.S. business community that can have a big say in determining who holds office in Washington. Regan knew he had come to the right place for another reason, too.

Excessive government spending is a central target in a U.S. Chamber campaign to continue economic growth that has created millions of jobs and hundreds of thousands of new companies so far in the 1980s. As a message to members of the business federation

"At the beginning of this decade, the U.S. Chamber of Commerce and its members launched a solid program to

put America back on the road to recovery. That program, called 'Let's Rebuild, America,' has succeeded. We have achieved a dramatic economic recovery. lower tax rates, reduced inflation and a surge of entrepreneurship.... Our new challenge and goal is to 'Keep America Growing."

The message-signed by Chamber Chairman Van P. Smith, President Richard L Lesher and Vice Chairman Frank L. Morsani-explains: "The business community now must build on the successful pro-growth policies of the past few years. We must unite behind efforts to reduce federal spending and avoid major tax increases."

Smith, in appearances before the

NATION'S BUSINESS - MAY 1985

1985 ANNUAL REPORT

There are frequent Chamber contacts with top government officials, in a variety of settings. Chairman Smith is chatting with President Reagan at a reception. At left is Smith's wife, Margaret.

Vice President Bush was the keynoter at a dinner honoring contributors to the Chamber's Spirit of Enterprise Fund. He lauded the federation's "leadership role."



PHOTO: NAM HERE

The Spirit of Enterprise Fund

Chamber of Commerce of the United States 73 Yrars of Proud Achievement

PHETO: T. WICHAEL, REZA

Senate and House budget committees, testified that spending curbs are crucial if the threat to the economy from giant federal deficits is to be met. He said revenues resulting from Reagan administration tax relief might have taken care of the threat, but the recovery's impact has been blunted by burgeoning "spending programs to which government has committed us."

This fiscal year, he noted, federal spending's share of the gross national product will be 24.5 percent—just 0.2 percent less than the peacetime record, set in 1983.

Highlighted in his testimony was a breakthrough in the fight for continued pro-growth government policies; formation of the Deficit Reduction Coalition by the Chamber and six other major business organizations. In recent years, these groups have not always spoken with one voice on basic tax and spending issues. Now they are doing so.

The coalition's voice has been loud and clear. Reduce spending. Don't raise taxes.

Says Lesher: "How to achieve economic growth has all along been the No. 1 question. The Chamber has done much to focus attention on it."

The past year has witnessed a number of monumental achievements in behalf of the business community and growth. None can outshine the election of a Congress that is perhaps the most pro-business in years—an election coupled with the re-election of an administration committed to encouraging private enterprise.

Contributing to the nature of the results at the polls was an increase in voter turnout after two decades of decline. The Chamber played a solid role in the increase with a get-out-the-vote drive entitled "Free Enterprise and Watch U.S. Growl" Through member companies, state and local chambers, and associations, the Chamber distributed—along with other materials—600,000 "promissory vote" forms in which signers pledged to register to vote, if they were not already registered, and then to cast ballots for pro-free enterprise candidates.

Similar action is planned for the 1986 elections—especially in connection with some bitter contests that will affect control of the Senate.

The Chamber's political action committee, the National Chamber Alliance for Politics, had a significant influence on the makeup of the Congress that took office in January. NCAP was actively involved in 211 races for the Senate and House, and 86 percent of candidates it supported won:

Chamber endorsements are given, re-

gardless of party affiliation. to candidates who can be expected to support business objectives. All incumbents who have voting records that put them. cumulatively, on the business side at least 70 percent of the time are eligible for endorsement, contingent on local business support. Absent incumbercy and the required voting record and support, there are three endorsement criteria: a close race; clear differences in candidate philosophies on business

International outreach: BizNet facilities permitted videoconferences with Korea (left) and Japan on trade. Below: President Lesher presents a free enterprise award to visiting Egyptian President Hosni Mubarak.









Business leaders at a news conference on the deficit (from left):

J. Peter Grace, who headed a famed probe of federal spending;

Chamber Director J. Willard Marriott, Jr.; President Lesher.

Rep. Newt Gingrich (R-Ga.) makes a point to Vice Chairman Morsani.

issues; business support can help elect

a pro-business candidate.

The Chamber could boast an impressive record on legislative issues, as well as on candidates. During the 98th Congress' two years, the Chamber—responding to its members' needs—presented views on 106 issues due for congressional action. The results: 57 victories, 25 losses and 24 partial wins.

It takes work by skilled, knowledgeable and respected representatives to achieve results like that. Chamber representatives met more than 2,000 times with members of the 98th Congress or their staffs. The meetings included visits for lobbying purposes or to answer requests for information, as well as congressional visits to the Chamber to impart information. Chamber opinions were sought or volunteered in the White House and federal agencies as well as on Capitol Hill—part of a continuous process of frequent contacts with administration officials from the President on down. Virtually every week, Chamber staff members or directors furnish business views to presidential aides or cabinet officers over breakfast or lunch, or in the administration officials' offices.

The federation not only shaped 98th Congress legislation drafted by others, but it also initiated measures that are now public law.

Chamber testimony was presented 166 times to committees and subcommittees. The witnesses included Chamber directors, staff experts and business people serving on Chamber policy com-



Group Vice President Carl Grant (right) interviews Secretary of State George Shultz on "BizNet News."

MOTO 1 MICHAEL EXZA

CITIZEN'S CHOICE

Zbigniew Brzezinski, President Carter's national security adviser, spoke when results of a yearlong Citizen's Choice study of the media were unveiled.

Improving the Prospects for Peace

A new Chamber affiliate has begun activities that could, as Chamber President Richard Lesher says, "have an important impact on prospects for world peace and prosperity."

The Center for International Private Enterprise has been designated by Congress as the business representative in the National Endowment for Democracy, created to carry out President Reagan's Democracy Prooram.

CIPE launched its first year of operations with a variety of projects geared to strengthening business groups abroad. It was active in Nicaragua, as well as other parts of Latin America, and in Africa and southern Europe.

Among achievements of other Chamber affiliates:

· Citizen's Choice, a taxpayers'

lobby, gained introduction of legislation to protect taxpayers against Internal Revenue Service excesses. It also released a final report on a survey of responsibility in the media—an acclaimed report that will be used as a journalism text across the country.

 The National Chamber Litigation Center, a public policy law firm, entered 28 cases to protect the rights of business, both large and small. NCLC helped win eight substantial victories for business during the year.

The National Chamber Foundation, a public policy research organization, published analyses in several areas, including education, international economic policy and immigration. It is now completing two tax studies and has under way, among others, studies of health cost containment and unemployment compensation overpayments.

1985 ANNUAL REPORT

mittees that specialize in different issue areas.

Congress also heard from thousands of Chamber members in businesses, associations, and state and local chambers around the country, mobilized to write or phone Capitol Hill. It heard from them both as individuals and as participants in a network of 2,600 congressional action committees.

Among victories for business in the past year was passage of legislation reforming bankruptcy law to make it tougher for debtors to escape their obligations. Coupled with this was defeat of a labor union drive for congressional action reversing the Supreme Court's Bildisco decision. Union leaders wanted to use bankruptcy law to insulate them from concessions to financially troubled employers and to secure major organizing advantages.

Also beaten were two important measures that would have put heavy burdens on employers' backs: an immigration "reform" bill, including extensive employer penalty provisions, which passed both the Senate and House but

PHOTO: Y. MICHAEL REZA



Frances Shaine, a Chamber director, testifles on small business issues before the Senate Small Business Committee.

not a Senate-House conference called to resolve differences, and legislation sparked by Sen. Edward Kennedy (D-Mass.) to use the Supreme Court's Grove City College decision to increase civil rights restrictions on employers.

In the international area, the Chamber successfully fought trade-damaging protectionist moves like automobile domestic content legislation and numerous amendments to the 1984 Trade Act. At the same time, it was instrumental in securing congressional action renewing the trade-promoting Generalized System of Preferences and passing market access legislation.

When a measure making far-reaching changes in retirement law was passed, it contained improvements the Chamber had helped shape. The Chamber had a









At the Chamber (clockwise from upper left): Budget chief David Stockman, at an "Association Insiders" breakfast; presidential national security adviser Robert McFarlane at an "International Forum" luncheon; Sen. Pete Domenici (R-N.M.) at a budget reduction rally; federal judge Robert Bork at a Litigation Center luncheon.

hand in passage of legislation that will stimulate innovation by clarifying application of antitrust law to joint research and development ventures. And the Chamber was in the forefront of a coalition that saw Congress, after 12 years, act to control runaway costs of the federal job disability system for maritime workers.

Also, a Chamber-based coalition of business groups was successful in defeating a number of legislative thrusts that would have prevented more contracting out of federal work to private firms. Coalitions that increase business' influence by presenting a united business front are an integral part of the Chamber's strategies. It currently plays a leading role in 73 such groups, many of which it formed. They deal with a wide range of legislative and regulatory issues.

As always, the Chamber in the past year was vigorous in efforts on behalf of small businesses, which predominate in its membership. It lobbied successfully for laws to improve financing and federal contract opportunities for small firms. And it helped persuade Congress that residential phone lines should share long distance-use access fees with business lines. In the environmental area, the Chamber persuaded Congress to relieve small firms of some counterproductive hazardous waste regulations.

In the year ahead the Chamber will be dealing with many more issues vital to America's growth—issues ranging from promoting market-oriented policies for agriculture to bringing order out of chaos in product liability law, from hazardous waste to the hazards of protectionism

against foreign competition, from taxing of employe benefits to establishing a special teen-age minimum wage.

The scope of the federation's activities extends far beyond the nation's borders.

Dozens of world leaders, including Japanese Prime Minister Yasuhiro Nakasone, Egyptian President Hosni Mubarak, Republic of Korea President Doo

PHOTO, T. MICHAEL REZA





Chamber headquarters are a magnet for the media. Top: Senate Majority Leader Robert Dole (R-Kans.), after a speech to the "Breakfast Bunch." Bottom: Chairman Smith, after holding a news conference.

Hwan Chun, Chinese Premier Zhao Ziyang and Turkish Prime Minister Turgut Ozal, consulted with Chamber representatives during the past year, either in Washington or abroad. Increased export opportunities for American firms were a recurrent topic at such meetings.

The Chamber's international outreach was lengthened with the chartering of four new American chambers of commerce abroad, bringing to 53 the number of these AmChams, which work to improve the business climate in toreign countries for U.S. compa-

State-of-the-art facilities at the Chamber's BizNet

Studios permitted international videoconferences with Japan and Korea, enabling American business and government leaders to discuss trade policy with foreign leaders in the hope of opening markets for U.S. business. (Chamber President Lesher took part in each teleconference-not from Washington, but from Tokyo and Seoul, where he had gone to discuss trade restriction problems.)

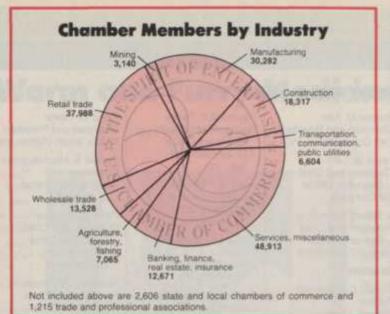
The Chamber's broadcasting audiences continued to expand.

Nearly every television viewer in America now has the opportunity to see one or more of the Chamber's programs, Which build understanding of the private enterprise system. The weekly syndicated economic news discussion show "It's Your Business" appears on more than 150 stations, with a potential reach into nearly 90 percent of the nation's households. The weekday "BizNet News" now appears on four major cable networks-USA, Financial News, Modern Satellite and the Learning Channel-plus 30 TV Stations, "Ask Washington," another award-winning weekday program, is also steadily increasing its reach and partici-Pation as viewers call in from across the nation to speak with top level guests.

The weekly radio program "What's the Issue?"-broadcast on more than 400 stations—maintains a long tradition of distinguished guests and interesting presentations of business-oriented top-ICS.

It was a year of effectiveness also for Chamber publishing activities.

NATION'S BUSINESS continued as the largest-circulation business magazine in the country, with a circulation of 865,000, and registered a 16.7 percent increase in advertising pages—the sec-Ond largest increase among business magazines, according to Publishers Information Bureau. NATION'S BUSINESS expanded efforts to put business issues in



perspective for Chamber members and other subscribers, and it added features to help readers run their enterprises.

The monthly newspaper Business Advocate, its 230,000 circulation targeted to key executives of Chamber member organizations-people whose voices can have special impact on government policies-gave hard-hitting alerts on needed action involving key business issues

Other Chamber activities also increased business inventories of informa-

Through health action coalitions, the Chamber helped executives learn how

Driving Forward

The Spirit of Enterprise Fund, the \$35 million capital campaign designed to enable the Chamber to meet challenges of the 21st century, forged ahead dramatically in the past year.

New commitments came in from a record number of sources, permitting a start on fulfilling one of the campaign's goals-updating of Chamber computer technology. Other goals are modernizing the Chamber's headquarters, establishing an endowment fund for its international division and adding financial reserves to reflect its huge membership growth in the past decade.

Among noteworthy developments in the drive was dedication of a major meeting room at Chamber headquarters in honor of the late Herman W. Lay, founder of Frito-Lay, a division of PepsiCo. The dedication was in recognition of a generous PepsiCo gift.

to fight rising health costs by negotiating with care providers. It was a leader in getting hundreds of local chambers to join in President Reagan's Committee for Private Sector Initiatives program, thereby enriching a data bank of ideas for private action to help those in need. It continued to provide chambers and associations with facts and advice that helped make their operations more effective.

A record 2,188 chamber and association executives attended the Institutes for Organization Management, held on seven university campuses. The Chamber's Briefing Center held briefings for more

than 300 member corporations, chambers and associations that gave them a better understanding of the federation's resources and activities.

Information activities of Chamber economists again were of major importance to all Americans in the past year. Taking the nation's economic pulse is an ongoing function of these experts, who have a computer system that enables them to simulate effects of various possible developments.

For the second year in a row, the Chamber ranked at the forefront in the accuracy of its economic predictions. Chamber economists had been accused of overoptimism about lower marginal tax rates' effects on the economy. Actually, they were not optimistic enough. In forecasting inflation-adjusted gross national product for 1984, Chamber forecasters missed the GNP's 6.8 percent growth by only 0.6 of a percentage point. Other forecasters, on average, missed it by 1.3 percentage points.

Chamber economists see strong growth in the next two years-assuming no tax increases and a sound monetary policy.

To make that assumption a reality, and to achieve spending reductions as well as other Chamber goals, will require work on the part of the Chamber and those it represents.

Van Smith, an entrepreneur who is chairman of the Ontario Corporation, Muncie, Ind., made dozens of speeches around the country and abroad in his year as Chamber chairman and appeared again and again on radio, TV and newspaper pages. He noted in a speech in Louisiana that "among business folks there is a growing willingness to help defend the truly American spirit of entrepreneurship."

That willingness, and Chamber leadership, are needed to Keep America Grow-



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Warm and Furry Medicine

By Phyllis M. Barrier

"The one absolutely unselfish friend that man can have in this selfish world, the one that never deserts him, the one that never proves ungrateful or treacherous, is his dog. ...When all other friends desert, he remains."

-George Graham Vest

You have had a miserable day. You overslept and missed your bus. Your boss was on your case from the time you walked in the door until the minute you left. Your lunch gave you heartburn. The cleaners lost your cashmere sweater.

Now that you are back home, what you really need is to be greeted by someone who will not criticize you . . . who will listen to your tale of woe without interrupting or talking back . . . who will, in short, be there in your time of need.

It is hard for even the most devoted spouse to meet such a demanding test. But not for a pet.

A majority of American households have at least one pet, ranging from the familiar dogs and cats to parrots, fish, mice and more exotic animals, like monkeys and iguanas. For

most pet owners, George Graham Vest's paean to "man's best friend" delivered 101 years ago on the floor of the U.S. Senate—rings true not just for dogs, but for cats and parakeets and other animals, too.

However, Vest could not have known what researchers are learning today: Pets can enhance your mental and physical health.

Relatively few studies have been done so far in this area, but they point strongly toward the health benefits of pets—especially for people under stress in the workplace.

For example, in a study conducted at the University of Maryland from 1977 to 1979, the mortality rate among heart

A pet can help your heart in more ways than one.

patients without pets seemed to be three times as high as the rate among patients who were pet owners. The researchers were at first skeptical of their findings. They thought that the sharply different mortality rates might be explained away—perhaps only the healthiest study subjects took on the responsibility of a pet, or perhaps pet owners benefited from the exercise they got while taking their dogs for a walk

THE RESEARCHERS checked to see if pet ownership was correlated with some other factor that was the real key to survival—marriage, for example. But they found that the protective effect of a pet was apparently the same among both married and single patients.

Finally, the researchers concluded that pets really did improve heart patients' chances of surviving. In some way, the animals helped people to be healthier.

That is not to say that owning and caring for a pet can offset the harmful effects of smoking, eating too much and exercising too little. But owning a pet can improve your chances of avoiding or surviving a heart attack, just as not smoking can.

Why should this be so? No one is entirely sure yet, but researchers at the University of Pennsylvania—a center of the study of the relationship between pets and people—found that most people's blood pressure seems to go down when they are petting an animal. The Pennsylvania researchers also say that just watching the fish in a home aquarium can lower blood pressure and induce a state of relaxation.

For many people, this emerging scientific proof of pets' benefits will merely confirm what they have already known.

Take Betty M., a social worker who recently went through a divorce after many years of marriage and had to learn to live by herself again. As she went through this painful adjustment, she had to continue working with clients who were

themselves enduring serious marital, financial and psychological problems.

During this stressful time, her beloved dog was an anchor, giving structure to her life through daily walks and easing her feelings of loneliness.

On the other hand, pets are not for everyone.

Many people are allergic to the fur and feathers of animals; many others have schedules so tightly packed that they do not have time to care for an animal adequately.

To realize the health benefits of owning a pet, you must be able to give the animal enough of your own time. You must be prepared to play "fetch" with your dog, or to hold your purring cat in your lap. If you regard your pet as simply another annoying demand on your time—a possession that must be fed and walked—both you and the animal will be better off without each other.

Phyllis M. Barrier, a registered dietition, is a nutrition consultant and nutrition coordinator for a health maintenance organization in the Washington area.

NATION'S BUSINESS - MAY 1985

Where I Stand

Key Washington decision makers will be informed of your views on these important business issues.

Support Reagan-Backed Fiscal Plan?

President Reagan is asking Congress to approve a compromise fiscal plan that would cut \$300 billion from projected federal deficits over the next three years without raising taxes. Otherwise, he says, the deficit will become a serious threat to economic health. Critics argue that spending reductions proposed would cut too deeply into social programs, while inflicting much less damage on Pentagon spending. Should Congress adopt the Reagan-backed deficit reduction plan?

2 Enact Youth Wage Promptly?

A bill to allow employers to pay a minimum wage of \$2.50 an hour to youths aged 16-19 during summer school-vacation months is again pending in Congress. Advocates urge prompt action, to create jobs for teenagers this summer. Opponents argue that the bill is a subterfuge to let employers circumvent the regular minimum wage of \$3.35 an hour. Supporters counter that the bill has safeguards against abuse. Should a youth minimum wage bill be passed this year?

3 Maintain The Existing "Rule of Two?"

The "Rule of Two" requires that, if two or more small businesses demonstrate ability to fulfill a federal contract within price and quality guidelines, the contract must go to one of them. Supporters of the rule say it is necessary to assure small businesses a fair share of federal procurement dollars. Critics argue that it limits the ability of federal buyers to get the best deal for the taxpayer and should be modified. Should the "Rule of Two" for small firms be continued as is?

Respond to the poll with the attached postage-paid card. Letters to the editor on these issues are welcome.

Verdicts On Auto Records, Worth, English

Here is how readers responded to the questions in the March issue's Where I Stand poll. Results of each monthly poll go to appropriate decision makers in the White House, Congress and the regulatory agencies.

	Yes	No	Undecided
Should the new law on vehicle records be repealed?	96.5%	3.2	.3
2 Should the government set comparable worth standards?	5.6%	93	1.4
3 Should instruction in English be required for all U.S. students?	90.9%	7.9	1.2

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When To Jump on the Dollar-Coaster

By Ray Brady

FYOU ARE ONE of those investors who make a daily chart of the Dow Jones Industrial Average, you already know that lately it has been tracing an almost flat line. Except, that is, for the trading session of March 19. Then the Dow traced what the professionals call a "spike"—a straight, upward movement as the average soared more than 21 points.

That has happened from time to time in the past. What really caught Wall Street's attention was the cause of that one-day jump: a drop in the dollar caused by the crisis in Ohio's small, privately insured savings and loan associations. As the dollar went down on that eventful day, investors and speculators alike bought heavily in the big multinational stocks, the kind that make up the Dow. Since those companies do business on an international

decline in the value of the greenback.

This has been a season when not a lot of good investment ideas have come out of the brokerage houses. So more and more analysts are looking carefully at stocks that might benefit if the dollar finally takes the drop that most economists believe is not only overdue but also would help a lot of U.S. industries.

scale, they stand to benefit from any

Take chemicals. Because of the strong, upward push of the dollar—which makes imports cheaper for Americans—the volume of chemicals coming into this country went up 30 percent last year, 2½ times faster than chemical imports have risen annually through most of our history.

Not only that, foreign competition has often prevented U.S. chemical companies from raising prices or even competing in foreign markets.

The same is true of a long list of other industries, including steel, some electronics, timber and paper and pulp. In fact, Mark Kurland, of the investment firm of Mabon, Nugent & Company, says that when he is looking for buys in the paper industry he studies two factors: first the American dollar and then the state of the U.S. economy.

So how do you play those industries that will benefit from a drop in the dollar?

John H. Manley, Jr., of the invest-

RAY BRADY is the business correspon-



Ohio S&L customers line up to withdraw savings in March. The crisis caused a drop in the dollar; changes in the dollar's value can predict changes in the Dow.

ment firm of Smith, Barney, Harris Upham & Company, suggests looking at the convertible preferred stocks of a lot of companies affected by a highpriced dollar. Convertible preferreds, of course, are somewhat safer than common stock and, in addition, usually pay a fairly good dividend.

So Manley has put together a list of "dollar convertibles." Among them: Bethlehem Steel, Boise Cascade, Crown Zellerbach, Champion International, Ingersoll Rand and Phelps Dodge.

Walter Mintz of the money management firm of Cumberland Associates suggests another way to play a drop in the dollar: Look over some of the big multinationals—the kind that went up in that "spike" session. They include Eastman Kodak and International Business Machines, along with the drug stocks and some computer stocks.

Mintz points out, however, that for those stocks to benefit, the dollar would have to go into a fairly pronounced drop. Says he: "It would take a 10 percent change—or more—in the dollar to have a real effect. A change of, say, 3 to 5 percent on the downside would not really make an impact on stock prices at all."

THE DOLLAR, it goes without saying, would have to stay down for a period of time. A simple slide for a few days—and then a rebound—would not do it for the market.

A neophyte investor might want to look at mutual funds that invest in foreign stocks. The rationale here is that if you invest dollars in foreign stocks, the value of those stocks will increase when the value of the foreign currency goes up against the dollar.

A number of funds invest in foreign securities. Among them: Kemper International, T. Rowe Price International, Templeton Foreign, Scudder International and Shearson Global.

The really venturesome executive investor (who is not afraid to lose money, it should be added) can buy foreign exchange options on the Chicago Mercantile Exchange or the Philadelphia Stock Exchange. In an option's simplest form, if a foreign currency goes up within a predetermined period, the investor can make a lot of money. If it goes down, he can lose his whole investment.

All of which brings up one more way to play a drop in the dollar. On the same day the Dow Jones Average made its "spike," the gold pits in the New York Commodity Exchange were in pandemonium. Speculators were tumbling over themselves to buy gold, and the price shot up just as did the Dow. In fact, no one I talked to in the gold pits on that momentous day could remember how long it had been since gold went up that much in price in one day.

In subsequent days, as the dollar strengthened, gold backed down in price. And that is the problem: There are a lot of ways to make money from a fall in the dollar, but you just have to be right in guessing when the dollar is going to stay down.

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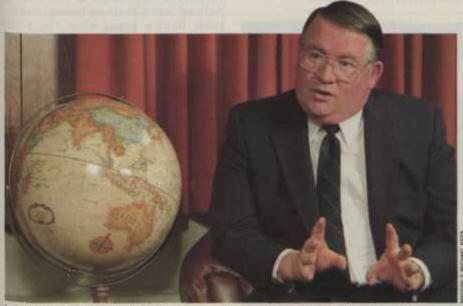


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No to Know-It-Alls

A business founder avoided a common mistake.



Involvement in small business issues gave impetus to Jack Rennie's interest in exporting. His high tech company sells to the Far East, South America and Europe.

ALONG the suburban Boston high tech corridor known as Route 128 lie many of what John C. Rennie calls "carcasses of companies" once headed by nuclear physicists, electronics engineers and other technical wizards. He says they thought that if they understood their own disciplines, understanding business would be no problem.

When Jack Rennie and two partners started their own high tech company, a minute or two from Route 128 in Burlington, Mass., they did not make that mistake.

Rennie, a former Naval officer, had worked just one year for Raytheon Company as a senior systems engineer. Though he became president and chairman of Pacer Systems, Inc., positions he still holds, he says, "I really had no knowledge of business."

So one of his earliest hires was a business manager, someone who understood accounting, government contracts and other areas unfamiliar to Rennie.

"I think recognizing my own limitations has been one of my strengths," says Rennie. The ability to compensate for his own weaknesses by bringing in people with complementary strengths has helped him build Pacer's domestic and foreign sales to \$12 million in 1984 and an expected \$16 million this year.

The company's current contracts are worth \$55 million (compared with \$20 million at the end of 1983), and Rennie is confident that Pacer will reach \$50 million in annual sales by 1990.

Pacer was started in 1968 with \$10,000 pooled by Rennie and two Cambridge, Mass., high school classmates, James N. Walsh and Robert E. Diozzi. Whenever he had been home on leave from the Navy, Rennie and his buddies had talked about starting their own business. Rennie, a 1958 U.S. Naval Academy graduate and a former test pilot, left the Navy in 1967 and was working at Raytheon when the three decided the time had come.

Rennie's partners were entrenched in their careers—Walsh in the nursing home business and Diozzi as a lawyer and so he was chosen the new company's top officer.

Pacer was quickly molded out of the two things Rennie knew best: the military and engineering. In the Navy, he had become qualified in more than 25 models of fixed-wing aircraft and helicopters, and had compiled more than 5,000 flight hours and 500 carrier landings. As an undergraduate, he had majored in engineering, he added engineering management when, as a fledgling CEO, he enrolled in Northeastern University, earning a master's degree in 1971.

Since they had so little capital to begin with, Rennie and his partners decided to build a professional technical services business first. From that base, they wanted to move into the more expensive business of hardware.

"And that's exactly what we did," says Rennie, 48. In its early years, Pacer provided systems engineering and design and analysis, primarily to the government. In 1972 it entered the hardware arena with a helicopter air speed system, and by 1975 it was building flight simulators.

Today its services center on design and development of advanced airborne and shipboard electronics systems and on "life cycle support" (ensuring that systems operate effectively throughout their operational lives). In addition, it manufactures three product lines: flight simulation equipment and training devices; air data systems; and shipboard stability control systems.

GOVERNMENT customers include the Naval Ocean Systems Center, Army Electronics Systems Command and National Aeronautics and Space Administration. Among industrial clients are Boeing Corporation, McDonnell Douglas Corporation, Hughes Helicopters and Rennie's old employer, Raytheon. Since November, Pacer has won three major defense contracts averaging \$14 million each—two with the Naval Air Development Center in Pennsylvania and one with the Naval Coastal Systems Center in Florida.

With 275 employes and seven offices across the country, Pacer is now poised to grow more rapidly, reaching a goal its founders agreed on at the outset to create a company that would be attractive to outside investors.

Annual growth of 30 percent is about what Rennie has in mind. He says he prefers a "steady Eddie" approach as opposed to spectacular growth. "If a company goes to \$100 million or \$200

million in a few short years," he says, "I know enough about business to know it's got real problems somewhere. Just the personnel hiring is enough to boggle the mind."

Rennie became active in small business issues in 1977 when he was asked to serve on the international trade committee of the Smaller Business Association of New England. The SBANE assignment put him on a path toward becoming one of the country's most in-

ters in a demonstration project starting next month. Rennie expects the project to result in sales to China, a country that he feels has "great potential for American business."

His recent Far East visit included a side trip to Japan, whose navy has been buying Pacer air data systems. (Rennie studied Japanese for 10 weeks before he went.) Pacer also does business in Norway, India, Greece, Britain, Canada and several other countries.



By entering the market with such hardware as air data systems, Rennie has nurtured Pacer Systems to the point where the company is now poised for more rapid growth.

ternationally sophisticated small business owners. And, over time, it led to a national leadership role in the small business community.

Rennie says he "didn't know anything" about international trade when he joined the SBANE committee. "It's amazing how fast you can get up to speed."

In fact, he got up to speed so fast that in 1983 he edited Exportise, a 240page source book published by the Small Business Foundation of America in Boston. Its purpose is to encourage smaller company executives to get into international trade and to provide them with information to help them get started.

HAT YEAR Rennie led the first allsmall business trade mission invited to China. Last March he returned with a Massachusetts delegation, led by Gov. Michael Dukakis, to firm up a state relationship with Guangdong

The China Aerotechnology Import-Export Corporation will be using a Pacer air data system in one of its helicop-

From SBANE's international trade committee. Rennie moved up the ranks to serve as the organization's president from 1982 to 1984. For a year starting in 1983, he was also president of Small Business United, a 35-state organization of about 60,000 firms.

"His leadership stems from the fact that he's so smart," says Lewis Shattuck, SBANE executive vice president. (Rennie was offered full scholarships to 47 colleges and universities when he graduated from high school.) "He just awes people with his grasp of a broad range of issues." Still, adds Shattuck, Rennie is quiet about the roles he plays in getting things done.

RENNIE ADMITS that, as a small business adventor to most satisfaction out of helping gain passage of such legislation as the Small Business Innovation Research, Regulatory Flexibility and Equal Access to Justice acts.

Those who know him describe him as a mediator. And he says he is pleased that he could play a part in bringing about cooperation among such groups as Small Business United, the Small Business Council of the U.S. Chamber of Commerce, the National Small Business Association and the National Federation of Independent Business.

"Usually you'd find that we agreed on 95 percent of the issues and it was the other 5 percent that was driving wedges between us," he says. But speaking with a unified voice in Washington was necessary. Efforts to bridge differences culminated in last June's National Small Business Issues Conference, Rennie says, when the four groups agreed on a 41-point agenda for action.

Late last year, Rennie got another chance to help small business when he was elected to the U.S. Chamber's board of directors. As a Democrat, he hopes to help build a stronger bridge between business and Democratic members of the House and the Senate. As an activist for small business, he intends to be a strong advocate of its needs in Chamber board decision mak-

Reduction of the federal deficit is the No. 1 issue facing small business, he

believes.

If the deficit problem is not solved, he says, interest rates will increase and access to capital will diminish. "And when that happens, small business will get hurt first.

Chances are, Rennie will continue to be successful in his efforts to bring about agreement among disparate voices. One of his chief assets as a leader, savs Lewis Shattuck, is an extraordinary ability to communicate, both orally and in writing. Rennie agrees that the ability has been important to his success. "I know many CEOs who struggle over just writing a letter. And the more technical you are, the worse it

NE WOULD THINK that the demands on Rennie's time would leave no room for fun. Not so. He is a stamp collector, he enjoys swimming and golf. and he and his family (wife Carol and three sons and two daughters ranging in age from 17 to 26) have a getaway on Cape Cod.

Though he maintains a commercial pilot's license, he does not fly much anymore and does not miss it.

What he does miss is going to sea, and he admits that he was like a kid last year when he and Carol went on a cruise in the Aegean.

To satisfy his desire for the sea, sometimes he crews on friends' sail-

"When my ship comes in," he says wryly, "I will get a boat."

-Sharon Nelton



What You Can Do About Washington Issues That Affect Your Business

This NATION'S BUSINESS feature advises readers how they can make their views known on important pending legislation. Correspondence to members and committees of Congress can be sent either c/o U.S. Senate, Washington, D.C. 20510 or U.S. House of Representatives, Washington, D.C. 20515.

Issue	Potential Impact On Business	Contact And Business Message
FISCAL 1986 BUDGET	Rate and strength of the economic re- covery will be affected by congressio- nal actions on the first budget resolu- tion and appropriation bills. Sustained reduction of federal spending growth will benefit the economy.	Members of the House and Senate: Restraining the growth of spending is the best way to halt the explosive growth of the federal deficit, federal spending on many programs is far larger than necessary. The adminis- tration has identified several pro- grams for reduction.
IRS AUTO RECORDICEPING	The Internal Revenue Service has is- sued regulations requiring employers to withhold taxes on the value of compa- ny-provided motor vehicles and other personal property use. To avoid being taxed, employes must keep detailed, contemporaneous logs of business use. Legislation has been passed to repeal the new requirements.	Members of the House-Senate con- ference committee: Support the Senate version of the legislation re- pealing the IRS regulations. It is a reasonable and comprehensive ap- proach. Oppose the tax increase contained in the House bill.
SUPERFUND	Legislation has been introduced to raise the level of funding for the current five-year, \$1.6 billion toxic waste clean-up program that expires September 30. Businesses will be required to pay a share of the Superfund cleanup cost.	Members of the House and Senate: Congress should authorize the Su- perfund at a level the Environmental Protection Agency can effectively manage and should oppose legisla- tion that would inflate the cost of hazardous waste cleanup.
TAX REFORM/SIMPLIFICATION	Tax reform is high on the administra- tion's legislative agenda for 1985. Hearings on proposals to reform the tax code are under way. Numerous tax plans are being considered; business needs to be aware of these various proposals.	Members of the House and Senate: Carefully study all the tax reform proposals. Do not pass a tax in- crease package under the guise of tax reform. The economy needs to keep growing. Any tax increase would reduce future growth and lead to higher federal deficits.
GROVE CITY	Enactment of a broad-based reversal of the Supreme Court's decision to tighten antidiscrimination requirements in the Grove City College case would adversely affect many small businesses by forcing them to comply with regulations and on-site compliance inspections.	Members of the House: Carefully consider the far-reaching impact of bills designed to reverse the <i>Grove City</i> decision. Oppose overly broad legislation. Do not expand civil rights law to apply to individual federal aid recipients.
COMPARABLE WORTH	The comparable worth concept, equal pay for different jobs of allegedly comparable value, goes beyond the current legal requirement of equal pay for equal work. Wages would be determined by a job point system, based on subjective evaluation.	Members of the House and Senate: Oppose all comparable worth legislation that would disregard free-market values. Highly subjective and questionable rules would be implemented if comparable worth legislation becomes law.

Best for Some Vs. Good for All

Veteran members of Congress have a saying drawn from long experience in the compromises that make the legislative process work: "The best is often the enemy of the good."

They mean that those who insist on a perfect, but politically impractical, solution to a given problem frequently thwart the efforts of those whose answers may not be perfect in every respect, but represent real and politically attainable progress.

The distinction was recognized by President Reagan and the Republican leadership of the Senate in their successful efforts to develop a compromise federal budget for the fiscal year beginning next October 1 (see article on page 55).

Each side thought its plan for achieving the critical goal of deficit reduction was the best solution.

Each also recognized, however, that holding out for what it perceived as the best solution could produce a stalemate that could eventually destroy any hopes of antideficit action.

The business community should view the compromise in the same spirit. It represents significant progress toward curbing the flood of red ink that threatens the nation's economic growth, even if it does not achieve all the spending restraints business has sought.

But achieving the goals of the compromise plan will not be easy. It will require a high degree of dedication in two important ways.

First, those who are committed to the reduction and eventual elimination of deficit spending must get solidly behind the new plan and put as much pressure as possible on Congress. Despite its influential sponsorship, the plan is by no means assured of passage.

Second, the unity of the compromise itself must be preserved.

If business or any other group tries to spare its favored programs from harm, the entire package will begin to dissolve into a morass of special-interest bickering.

And once it has been demonstrated that there

is no significant political constituency for deficit reduction via spending cuts, the way will be open to those who want to increase taxes to close the gap between revenue and spending.

Whatever its flaws, the compromise budget plan is infinitely preferable to that alternative. It should have the enthusiastic support of everyone who is concerned about preserving economic health.

Giving Young People A Chance To Work

Mayors involved in the day-to-day life of cities across the country are uniquely qualified to assess the human and economic waste that results when students of working age are condemned to summers of idleness because there are no jobs for them.

The hierarchy of the AFL-CIO, enmeshed in the politics of the Washington political scene and increasingly out of touch with working life in America, is far removed from the problem of youth unemployment.

So who has the most influence on Congress when it comes to dealing with the problem? That's right. The big labor organization has thus far prevailed in its efforts to block action on legislation that would open hundreds of thousands of jobs to young people during the summer.

The bill would permit employers, under tightly controlled conditions, to hire at \$2.50 an hour youths it would not be economically feasible to hire at the regular federal minimum wage of \$3.35. The special provisions would apply to those aged 16-19 inclusive, from May 1 to September 30 over a trial period of three years.

The plan has the backing of the mayors of cities ranging from Pritchard and Tuskegee, Ala., to New York and Los Angeles. The Conference of Black Mayors supports it, as do the business organizations that represent the employers who will do the actual hiring.

On this, as on many other issues, it is time for Congress to start listening to the people who know what they are talking about.



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